Problems of Communism

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Richard F. Staar

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Book Review
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JANUARY-FEBRUARY 1989

ECONOMIC REFORM IN CHINA

Back from the Market?
Jan S. Prybyla

"Capitalist Measures"
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Power to the Soviets?
Jeffrey W. Hahn

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Problems of Communism

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Cover: A share certificate issued by the famous China Gold Cup Automobile Co. Ltd., the largest Chinese firm to issue capital shares to the public. Photo from *The New York Times.*

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Problems of Communism

Articles

China's Economic Experiment: Back from the Market?

Jan S. Prybyla

China's economic reforms have proceeded from an initially successful effort in agriculture, to a much less successful effort in the urban industrial economy, to a third stage of retrenchment in the face of an overheated industrial economy, inflation, and widening income differentials. The Chinese leadership has failed to apply marketization and privatization with sufficient vigor and consistency and finds itself with the worst of both worlds—inadequate play of market forces and a diminished capability of the center to apply old administrative means to correct economic maladjustments. By reinstituting centralized controls rather than boldly pushing ahead with the application of market mechanisms and the privatization of economic relationships, the regime almost certainly will bring on economic stagnation.

Capitalist Measures With Chinese Characteristics

Dorothy J. Solinger

In the mid-1980's, China appeared to be undertaking measures that augured a startling reshaping of the structure of the urban economy: industrial firms began selling off their state-owned assets as shares; bigger, more successful, enterprises started taking over failing ones in a manner suggestive of mergers in the West; a tiny handful of hapless plants even went bankrupt, a virtually unprecedented phenomenon in a socialist economy. These most capitalist of practices have not, however, been sanctioned by the Chinese leadership out of an urge to reorient the economy away from state ownership and toward privatization. In the eyes of China's leaders, these reforms are a way to manage the state's macro-finances, while preserving state/public ownership—the impulses behind them have a statist rationale and a statist organization. What might be mistaken for a Chinese lurch toward capitalism is actually a fleshing out of the vague concept of "socialism with Chinese characteristics."

Power to the Soviets?

Jeffrey W. Hahn

As part of his program of *perestroyka*, and as a means of ousting officials opposed to it, Mikhail Gorbachev targeted the local soviets for reform. Until recently, these local councils had been largely powerless bodies elected from a single slate of candidates nominated by local party and government officials. To reinvigorate the soviets, Gorbachev and other reformers propose multicandidate elections and the institutionalization of controls by the soviets over their executive committees and local administrative departments. Reformers also seek to regulate and in some ways limit party control over the soviets and to systematize relations between the soviets and the enterprises operating on their respective territories. The outcome of these efforts is not yet known, but the success of the reform depends upon the party's willingness to restrict its power over local government and, ultimately, the emergence of a democratic political culture in the USSR.

(Abstracts continued on reverse side)

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Checklist of Communist Parties in 1988

Richard F. Staar

The world revolutionary movement as perceived by Moscow was alive in 1988, but no longer well, according to the latest version of the checklist published by *Problems of Communism* in conjunction with The Hoover Institution on War, Revolution and Peace (Stanford, CA). Reform in the Soviet Union has stimulated division in communist parties, especially ruling ones, with some opposed to emulating Moscow. The communist parties of China, the USSR, Romania, and Poland reported substantial membership increases, but significant losses were noted in Yugoslavia and Hungary. Several nonruling parties claimed gains, but the once strong Italian party showed membership falling far below previous levels. During the year, the leadership of a number of parties changed as a result of retirement, factional struggle, or unification of disparate movements.

Soviet-Line Fronts in 1988

Wallace Spaulding

In 1988, the USSR eased controls over Soviet-line trade-union and journalist organizations, while strengthening controls over the Soviet-line peace movement. As in previous years, these and other Soviet-line fronts orchestrated support for the USSR's foreign policies. Thus, dominant front themes were peace, security, and disarmament; socio-economic development; human rights; the environment; and culture and education for peace. The Asia-Pacific region was an important focus of front activity, again reflecting a major Soviet foreign policy concern. Finally, India and East Germany—a Soviet ally and a Soviet client respectively—were the sites of important front meetings.

Essay-Review

The Chinese Revolution Reevaluated

Stephen C. Averill

Most of the early studies of the Chinese Revolution made an implicit assumption that the Revolution's success was largely a matter of correct high-level political decision-making and organization. Recent scholarship has, however, begun to consider the numerous specific ambiguities involved in the Revolution's course, rather than continuing to debate the overall causes of its ultimate success. In both their complementary and corrective roles, the authors whose books are reviewed in this essay have succeeded in documenting regional variation in processes assumed to be nationwide, in showing that presumably sharp social dividing lines were actually blurred, and in exploding conceptions that assume groups such as "peasants" or their motivations to be unitary, uniformly generalizable categories.

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China's Economic Experiment: Back from the Market?

Jan S. Prybyla

In a major article reviewing changes in China's economy from 1979 through 1988, economist Liu Guoguang, a vice-president of the Chinese Academy of Social Sciences, aptly refers to the period as a "sweet and sour decade." Liu divides the decade into three stages: (a) from December 1978 (the 3rd plenum of the 11th Central Committee [CC] of the Communist Party of China [CCP]) to October 1984 (the 3rd plenum of the 12th CC); (b) from October 1984 to October 1987 (the 13th National CCP Congress); and (c) from October 1987 to the present day.[1] According to his analysis, the first period was "sweet" in terms of the surge in food output, labor productivity, and rural per capita income that attended major agricultural reforms. Things began to turn "sour" in the second period as reform efforts turned to the urban-industrial sector and one-time gains in the rural sector ran out of steam, particularly with regard to grain production. In this period, China also began to encounter accelerating inflation, sharpening divergence in income distribution, and increased evidence of corruption. In the third stage, this sourness grew progressively worse, and Chinese officials and specialists initiated a still-inconclusive debate regarding economic policy, the outcome of which could determine whether reform would hold its gains, regain its momentum, or be rolled back.

What lies behind this economic downturn? As I shall argue below, the current sourness of the Chinese economy, as defined by Liu, stems from the ambivalence of reform policy. This has produced a situation in which demand exceeds supply at presently irrational prices, and where neither the old administrative nor the newly emergent market-type of control levers work. If these problems are not properly resolved, they could undo the reform effort, and the material benefits gained so far could be lost.

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The Sweet

In the midst of China's current troubles, it is important to recall the considerable achievements of the reforms. The most important of these came about as a response to policy adjustments and structural reforms in agriculture. Property rights were restructured in a way that amounted to far-reaching (if not complete) decollectivization of the farm sector and the emergence of a system of family tenant farming, under which a family was vested with extensive rights to the use of land (through 15-year leases) and de jure rights to own productive factors such as draft animals and small tractors. State prices for various farm products were raised to levels at which they began to exert a positive incentive effect on farmers, and—more important and lastingly—the agricultural price system was significantly marketized (that is, made more allocatively rational). By 1984, the number of agricultural commodities subject to compulsory state procurement had been reduced from 29 to 10. Subsequently, compulsory procurement quotas for grains and cotton were replaced by contractual purchases, although the state still set the prices for these transactions. By 1987, according to Liu, 65 percent of

[1] Liu Guoguan (sic—the author's name is usually rendered in English as Liu Guoguang), "A Sweet and Sour Decade," *Beijing Review*, Jan. 2–8, 1989, pp. 22–29.

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the prices of all farm and sideline products were determined "to varying degrees" by market forces. Finally, there was a considerable expansion of local and interregional trade.[2]

The resulting increase in the quantity and quality of work effort, better farm organization, and improved custody of farm assets brought impressive growth in the gross value of agricultural output: 6.5 percent per annum over the 1978–87 period, compared to an average annual growth of 2.6 percent in the 26 years preceding 1978. During the decade 1978–87, the output of meat more than doubled, that of oil-bearing crops increased more than 1 1/2 times, cotton production rose by 75 percent, aquatic products grew by 84 percent, and grain output increased 19 percent. Gross agricultural output per capita in 1987 (at 2,400 yuan) represented a real increase of 2.5 times over 1978. Per acre output of grain during the period increased 43 percent; that of cotton, 93 percent; and that of oil-bearing crops, 63 percent. There was a modest shift away from grain production (80 percent of farm output in 1978 and 77 percent in 1987) toward more profitable cash crops (10 percent in 1978 and 14 percent in 1987), with a parallel shift toward the production of higher-quality grains.

Some 80 million peasants were relocated to higher value-added employment in rural industries. The value of nonagricultural output produced in the countryside increased 6.5 times, an average annual increase of more than 23 percent in real terms. Whereas in 1978, the value of nonagricultural rural output (rural industries, construction, transportation, and commerce) comprised 30 percent of China's gross national product (GNP), in 1987, it contributed 50 percent.

There was a notable increase in the monetization and marketization of the rural economy ("commoditization" is the official term). Whereas in 1978, 45 percent of farm and sideline products were sold "as commodities," in 1987, the figure was nearly 60 percent (65 percent according to Liu). Peasant per capita net income (in current prices) rose from 134 yuan in 1978 to 463 yuan in 1987. The average annual increase in peasant consumption from 1979 through 1986 was 8.7 percent (it was 5.8 percent for the nonagricultural population). Per capita grain consumption, at more than 391 kilograms (in 1986), exceeded the 1979–81 annual average of 213 kilograms for developing countries by a comfortable margin. By 1987, peasant households owned 70 percent of all large and medium-sized tractors in China, 94 percent of walking and small tractors, and 61 percent of the generators used for irrigation and drainage.

The gratifying results of measures taken in the rural sector brought a good press for market-related reforms and contributed, no doubt, to the October 20, 1984, CC decision to use a similar approach in the industrial and, more generally, urban sectors.[3] The results in industry were also substantial, although not nearly as impressive as in agriculture. In the 1978–87 decade, total industrial output—measured in real terms—grew at an average annual rate of 11.8 percent (compared to 11.3 percent a year during 1952–77). The gross output of state industry doubled, although its share in total industrial output dropped from 80 to 60 percent (70 percent according to Liu). The gross output of collectively-run, i.e., cooperative, industry increased four-fold, bringing its share of industrial output from 19 percent to 27 percent. The share of private industry rose from zero to a still very modest 2.4 percent. In the process, a major imbalance of Chinese industry was partly corrected. Whereas in 1978, the ratio of heavy to light industrial output was 57:43, by 1987, it had decreased to 50:50. Labor productivity in state industries, according to official sources, increased during the decade by almost 50 percent.

Whereas in 1978, 40 percent of the industrial output (in value terms) was produced under mandatory planning, by 1987, only 20 percent was. The number of industrial products whose output was planned and managed directly by the state under the system of material balances decreased from 120 to 60. The number of materials subject to "unified" distribution by centralized state physical allocation fell from 246 to 26, but the state material-technical supply network in 1988 still distributed 47 percent of steel products, 44 percent of coal, 14 percent of cement, and 26 percent of timber. During the decade, energy consumption for every 100 million yuan of output fell by 30 percent, and the amount of steel products consumed, by 23 percent. The share of fixed investment handled through the state budget (in effect, through budgetary grants) fell from 77 percent to 32 percent, and there was a concurrent increase in the share of investment financed by bank loans.[4]

Between 1978 and 1987, industrial products valued at US$145.5 billion were exported, accounting for 83 percent of China's total exports. The value of industrial exports was 5.5 times that of the period 1973–77. The

[2]For statistics on the results of Chinese rural reforms see ibid.; State Statistical Bureau, "Rural Reform," ibid., Sept. 26–Oct. 2, 1988, pp. 31–32; and Ding Shengjun, "Projected Changes in Chinese Consumption," ibid., Oct. 3–9, 1988, pp. 24–25.

[3]Decision of CC of CCP on Reform of the Economic Structure, Adopted by the 12th CC of the CCP at its 3rd Planning Session, on October 20, 1984, in ibid., Oct. 29, 1984, pp. i–xvi.

[4]Liu, loc. cit.; and State Statistical Bureau, "The Industrial Economy," *Beijing Review*, Oct. 3–9, 1988, pp. 27–30.

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volume of foreign trade tripled. From 1978 through 1987, more than 10,000 foreign joint ventures were established, involving about $30 billion in contracts ($9 billion actually spent). Foreign loan contracts came to almost $40 billion ($27 billion spent), and various other agreements on barter trade and assembly operations amounted to $3 billion ($2 billion spent).[5]

The Sour

The sourness that began to afflict the Chinese economy shortly after the expansion of reform to the urban-industrial sector in October 1984 reflected in part a leveling-off of farm production, particularly of the politically sensitive grain output. Grain output peaked in 1984 at 407 million tons. Rationing had to be reinstated in 1987–88 for formerly deregulated commodities (e.g., pork) in the larger cities.[6] The one-time motivational upswing in response to marketizing-privatizing reforms in the countryside thus appeared to have spent its energy, and further gains seemed problematic.

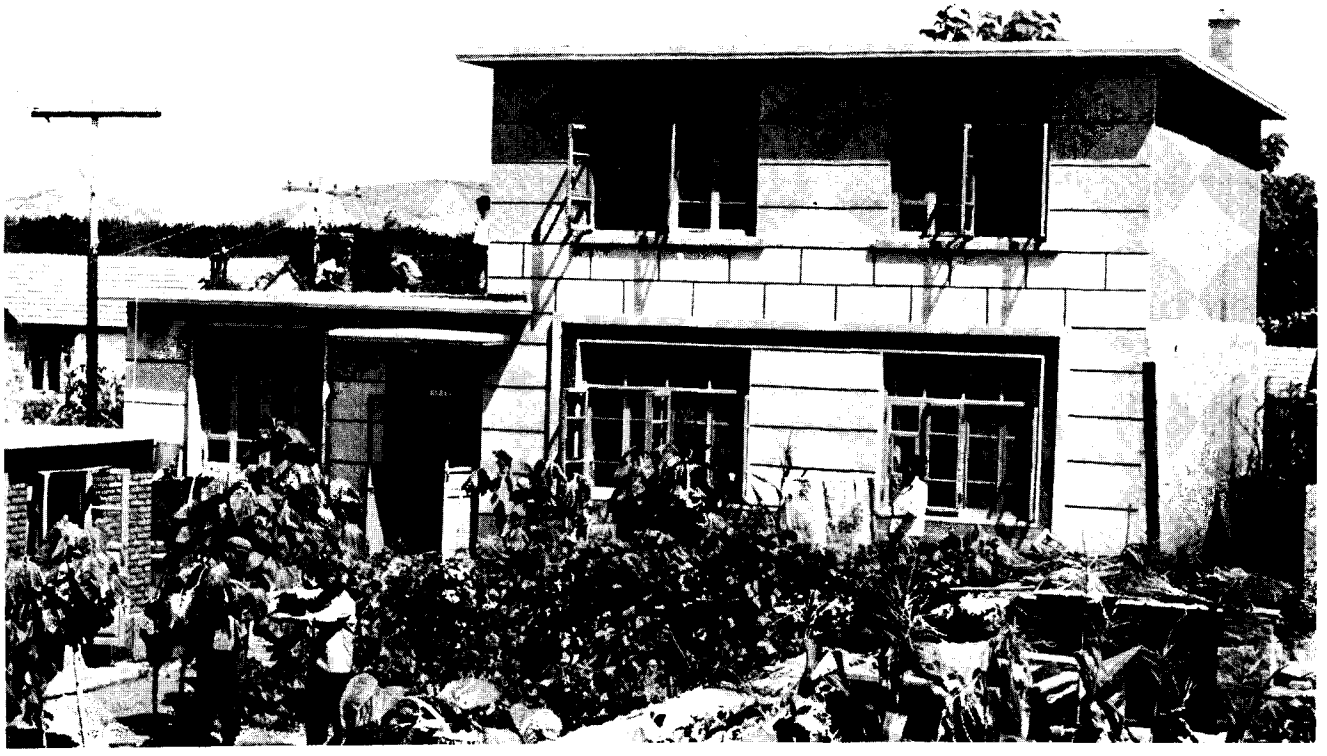
Moreover, replication of the rural reforms and their positive impact proved much more difficult in the more socialized and bureaucratized cities.[7] Indeed, the urban-industrial economy, particularly the large, highly bureaucratized, demonetized, privileged state sector, has proved extremely resistant to structural change in the two areas that really matter: prices and property relationships. At the same time, there has been a weakening of the instrumentalities of central administrative command planning (accomplished in part through what appears to be excessive administrative decentralization of decision-making to provincial bureaucracies) without adequate strengthening of market instrumentalities of information, coordination, and incentive. All this has contributed to the overheating of the economy, inflation, widening income differentials, and corruption.

Overheating of the economy. Symptomatic of overheating, industrial production (rural industrial output

[5]"High-Pressured, But Out of Steam," *The Economist* (London), Nov. 12, 1988, p. 38.

[6]Rather than elaborate here on the many factors contributing to the topping-out of grain output increases, I refer the reader to Joseph Fewsmith, "Agricultural Crisis in the PRC," *Problems of Communism* (Washington, DC), November-December 1988, pp. 78–93.

[7]Jan S. Prybyla, "China's Economic Experiment: From Mao to Market," ibid., January-February 1986, p. 29.



A private home built by a peasant in 1980 on the outskirts of Luda city in Liaoning province, a sign of rural affluence spurred by reforms in the Chinese countryside.

—Eastfoto.

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excluded) expanded by 18 percent in 1988, more than double the government's goal, a situation close to being out of control. In August 1988, some 11 provinces and municipalities registered industrial growth rates of more than 20 percent over the same month in 1987, with Fujian chalking up 32 percent and Guangdong 36 percent. Consumer goods led the way, with the output of refrigerators up 82 percent from the previous year, and the output of color television sets up 65 percent.[8]

This expansion has been stimulated by a seemingly uncontrollable industrial investment hunger, a phenomenon common to all socialist economies. This hunger is particularly true of fixed investment by local government authorities (at the province or lower level) and enterprises, which in China account for roughly two-fifths of total fixed investment. The plan for 1988 called for a 14 percent decrease in state-sector fixed investment, but in fact such investment rose by 17 percent for the year.[9] Without coordination either by a central plan or by a genuine market, there is haphazard investment by localities, which wastes resources through unwarranted duplication of industrial capacities. The technological level of many locally constructed plants is low, the rates of utilization of materials are high, and managerial expertise is poor.

This surge in economic activity places enormous strain on scarce raw material and energy supplies and on the badly overburdened and bottlenecked transportation system. It also contributes to an already thriving black market and the concurrent corruption.

Inflation. Most important, the overheated economy has triggered a serious price inflation. Officially, urban retail prices in 1988 rose 21 percent over 1987, compared to 7.3 percent in 1987. Unofficially, and more realistically, the inflation rate was close to 40 percent. Even at official rates, the inflation (which began in 1985) has been the longest since 1949 and the most severe since Mao's Great Leap Forward (1959–61). Vegetable prices in large cities in the first half of 1988 rose by about 50 percent. In September 1988, the prices of meat, poultry, and eggs were 46 percent higher than in August 1987, and prices of Chinese traditional medicines rose 52 percent over the same period.[10] Some prices doubled, others (e.g., machinery prices in some large cities like Guangzhou) even tripled. Rumors of further sharp price increases and projected bank restrictions on personal savings withdrawals precipitated panic buying and runs on banks in some cities, most notably Shanghai, in late July 1988.[11]

Price inflation was accompanied and in part stimulated by wage inflation. The wage fund in the state sector grew by 20.1 percent in the first three quarters of 1988 (it had risen 19 percent, 22 percent, and 22 percent respectively for the whole of 1984, 1985, and 1986), with the bonus component rising 46.6 percent. Increases in money wages exceeded by a large margin increases in labor productivity. Already between 1981 and 1985, industrial money wages rose nearly twice as fast as labor productivity.[12]

To maintain social peace in the face of surging retail prices for food and industrial consumer goods, the government paid out liberal subsidies to urban dwellers. In Beijing, the subsidy in the first half of 1988 was 60 percent higher than in the first half of 1987.[13] Moreover, officially recorded wage increases probably understate the actual situation because a good part of compensation takes the form of in-kind fringe benefits, e.g., free lunches and clothing allocations. Although some of these benefits are not strictly legal, they have been growing rapidly of late. The official wage increases also fail to take into account earnings from moonlighting in the "second" (legal, semilegal, illegal) economy on government time, often with the aid of "borrowed" government-owned tools. It is reasonable to speculate that such additional income equals or exceeds the wage incomes captured in the official statistics.

Despite rising wages and subsidies, many urban dwellers have found their real incomes declining. In Guangdong province, half the urban population was officially estimated to have experienced erosion of real income in the first half of 1988; in Shanghai, the figure was 40 percent. Nationwide, in 1987, the share of urban and rural households whose real income had been lowered by inflation was 40 percent, up from 20 percent in 1986.[14] This situation has led to work slowdowns and strikes; some 200 strikes, each involving more than 1,000 workers, are believed to have occurred in the first half of 1988 alone.[15]

The state's subsidy burden is heavy and rising. At

[8]Ellen Salem, "What Price Reform?" *Far Eastern Economic Review* (Hong Kong), Sept. 22, 1988, p. 71.

[9]State Statistical Bureau, "Statistics for 1988 Socio-Economic Development," *Beijing Review*, Mar. 6–12, 1989, pp. i–viii.

[10]*China's Latest Statistics* (Shenzhen and Hong Kong), China's Statistics Consulting Service Centre & CITIC Research International Branch, October 1988, Part 2, p. 28.

[11]Adi Ignatius, "China Is Moving to Hold Down Wild Inflation," *The Wall Street Journal* (New York), Sept. 1, 1988, p. 14

[12]"Sliding Into Recession," *Far Eastern Economic Review*, Nov. 10, 1988, p. 95; *Liaowang Zhoukan* (Beijing), No. 23, June 26, 1908, pp. 6–10, trans. in *Inside China Mainland* (Taipei), November 1988, p. 15; "Inflation Takes Its Toll," *China Trade Report* (Hong Kong), June, 1988, pp. 4–7.

[13]Robert Delfs, "Shifting Economic Gears," *Far Eastern Economic Review*, Sept. 25, 1988, p. 17.

[14]Li Yungi, "Freeing the Banks From Beijing's Grip," *The Asian Wall Street Journal* (Hong Kong), Nov. 7, 1988, p. 13.

[15]"Try to Keep the Lid On," *Asiaweek* (Hong Kong), Sept. 30, 1988, p. 29.

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present, it accounts for about one-seventh of total state budgetary expenditures.[16] The subsidies are paid, as we have seen, partly to assuage the dissatisfaction of urban workers with rising prices for food and other goods on the free market. Retail food prices in state food stores are not only below free market prices for comparable goods, but also below the purchase prices paid by the state to peasants under the system of contract deliveries. In 1988, the agricultural subsidy came to about 32 billion yuan, up from 3.6 billion yuan in 1978.[17] Subsidies are also employed to keep rents and the prices of utilities and transportation paid by urban users well under market-clearing levels.

Subsidies contribute to inflationary pressures. Spent largely on food, they drive up food prices on the free market. In the currently unsatisfactory state of the price system and of marketing, and in the presence of various contractual and other constraints (e.g., the small size of family land plots) on farmers' decision-making power, the rising prices are either not transmitted to the producers or reach them in distorted form. Whatever the reasons, the upward movement of urban food prices has not been translated into sufficient increases in food supply to moderate or halt the price rise.

Another contributor to the inflationary surge has been the rapid increase in consumption by "social groups" (mass organizations, offices, bureaus, and corporations). This was supposed to decrease by 20 percent in 1988 compared with the preceding year, but increased instead by roughly that same proportion (by more than 30 percent in some provinces).

While increased monetization of the economy is a necessary and welcome ingredient of China's economic modernization, China's central authorities have lost control over the money supply. In 1988, according to the government's plan, the money supply was to have increased by 17 percent. Instead, it jumped more than 40 percent. The money supply rose at an estimated yearly rate of 30 percent between 1984 and 1986. The problem seems to lie in an excessive administrative-territorial decentralization of economic management and the lack of independence of the banking system from governmental authority at all levels.[18] According to Li Yungi, an economist with the People's Bank,

[China] has no independent central bank and no banks operating as independent entities. . . . [In the absence of such independence] monetary policy. . . completely reflects the behavior of the government. Consequently, almost every year the Chinese government has covered its budget deficits through bank overdrafts. . . . [G]overnment at all levels often forces banks to finance pet projects and meet excessive working capital requirements regardless of economic results. . . . Compounding the problem is the fact that specialized . . . banks also do not operate as independent entities.[19]

The banks are not responsible for their own profits and losses—i.e., they operate under a mushy budget constraint with no economic penalties to speak of. Consequently, they have no incentive to refuse to lend money for questionable ventures, and every incentive to accommodate their customers, who also happen to be the banks' political bosses. Li is quite right when he says that "the expectation that decentralized decision-making will lead to more efficient investment decisions depends heavily on the efficiency with which the financial system mobilizes and channels resources." Such efficiency, one should add, is crucially dependent upon the existence of an allocatively rational price system for funds—in other words, market-determined interest rates.

Widening income differentials. Socialist societies have traditionally been concerned with "fairness" in the distribution of income, in particular money income (less attention is paid to the "income" inherent in political power, which—given the chronic scarcities in socialist economies—is the income that really matters). Wide income disparities have political consequences everywhere. The consequences are particularly important and explosive in an economy, such as China's, where they are perceived by people to be organically linked to a highly elitist distribution of political power.

Consequently, it is doubtless with great trepidation that official China has acknowledged (it still occasionally denies) the existence of large and expanding income disparities among various groups of citizens. First, there is the disparity between incomes earned by people on fixed wages and salaries—who under the existing system cannot, as a rule, change jobs without government permission—and the new entrepreneurs in the private sector. The average annual income of the urban resident is equivalent to just over US$300 plus some $130 in bonuses, or about $430 a year. A private businessman, say in construction, can earn $10,000 or

[16]State Statistical Bureau, *Statistical Yearbook of China 1986*, Beijing, p. 309.

[17]Fewsmith, loc. cit., p. 81.

[18]Nicholas D. Kristof, "Beijing Authority Being Challenged by Local Powers," *The New York Times*, Dec. 11, 1988.

[19]Li Yungi, loc. cit.

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more a year.[20] (For reference, a color television set retails for about $700.) These "private" entrepreneurs include not just rural folk (specialized householders in the vicinity of large cities), but officials who set up "briefcase companies" benefiting from politically facilitated access to scarce materials, information, and necessary permissions and authorizations.

Second, urban workers differ in their ability to obtain bonuses, in the size of the bonuses they obtain, in their access to the second economy, and, connected with this, in the opportunities they have to informally "privatize" (i.e., steal) socially-owned assets. The existence and size of bonuses depend on whether the employing state enterprise is profitable or unprofitable. The profitability of an enterprises in present-day China depends, in turn, to a very significant extent on the firm's access to extrabudgetary funds, which hinges more on personal/political connections than on efficient management, given the monstrous distortions of the prices by which profitability is measured.

One group that appears to be particularly underprivileged in terms of monetary income, access to political influence, and opportunity to appropriate state assets for personal purposes, consists of rank-and-file academics (those not affiliated with official research institutes and commissions), although they do have some limited opportunities to engage in consulting and crypto-commercial activities. The academic community has been the principal beneficiary of the relaxation of the intellectual climate after Mao, but its status, as measured both by social prestige and the ability to purchase worldly goods, remains low. In 1978, state workers in knowledge-intensive occupations earned on average 2 percent more than manual workers; by 1986, manual workers earned on average 10 percent more than brain workers, and the disparity has grown since then. The long-term implications for China's modernization of this continuing neglect and disparagement of its intellectuals promise to be very serious. The great hope of the brightest young people is to go abroad. Of the 40,000 or so Chinese students who have gone to the United States since 1979, reportedly only one-fourth have returned to China.[21]

Finally, although numerous peasants living on China's eastern "gold coast," particularly those living near the large coastal cities, have prospered as never before, other Chinese citizens—100 million of them, or one-tenth of the population—remain, by official admission, malnourished. Interprovincial income disparities are large and growing: Guangdong with 63 million people has an income twice that of Hunan with 57 million people; wage rates in Guangdong are 20–30 percent higher than in Hunan.[22]

Black market currency exchange in Guangdong province.

—Patrick Zachmannn/MAGNUM.

Aggravating the economic differentiation is the emergence of open unemployment. It is thought that there are 20 million unnecessary workers in the cities out of a total urban industrial labor force of about 150 million. Despite the rapid growth of rural industries, the "surplus" population of unemployed or underemployed peasants is put at 100 million. According to government sources, the floating population of uprooted peasants is 50 million. Despite legal prohibitions, they drift into and out of the cities, consume subsidized food, do casual work, and add to urban crime. Half of them stay in the cities for at least three months.[23]

Corruption. By official admission, corruption is rampant at all levels of the party and state administration. Repeated anticorruption campaigns, clean-up investigations, and harsh punishment (including the death penalty) have done little to stem the tide of graft and

[20]State Statistical Bureau, "Statistics for 1988 Socio-Economic Development," p. viii. "Per capita income on living expenses" was given as 1,119 yuan, or US$302 at the official exchange rate of 3.7 yuan to the dollar. See Adi Ignatius, "China's Restructuring Is Enriching Peasants But Not City Dwellers," *The Wall Street Journal*, Oct. 10, 1988.

[21]"Chicken Feed," *The Economist*, Nov. 26, 1988, p. 38.

[22]"Straining at Beijing's Tether," *The Economist*, Dec. 10, 1988, p. 31.

[23]"City Lights," *The Economist*, Feb. 18, 1989.

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bribery. Corruption has been defined as "abusing positions of power for personal gain, extortion and blackmail, graft and bribery, squandering public money, and indulging in luxury and extravagance."[24]

Perception of Crisis

China's leaders evidently debated the sourness of the economy during their annual retreat at Beidahe in the summer of 1988. The outcome was a dramatic cooling down of reformist zeal and a decision to "retreat into caution" under the rubric: "Improve the economic environment and adjust the economic order." This shift could turn into a defeat for the reformists unless the nature and extent of the problems are put into true perspective and the systemic repercussions of the proposed (and by now partly implemented) remedies are clearly understood.[25]

Part of the challenge to China's leaders is to avoid exaggerating these economic ills or attributing them all to the reforms. The Chinese economy, like other socialist, centrally planned economies, has persistently suffered from chronic excess demand for both producer and consumer goods (what Hungarian economist János Kornai calls the "economics of shortage"), inflation, sharp income disparities, unemployment, corruption, and the generally low quality of goods, services, and human relations. The difference is that under the reforms, these ills are no longer suppressed or disguised by administrative commands, but have come to the surface, as happens when market forces come into play.

For example, there has always been inflation, but because of the almost universal price controls imposed administratively by the state, it manifested itself not in price increases, but rather in lines outside stores, in shortages or unavailability of wanted goods, and in corruption (under-the-counter payments, bribes, and the rest). As for differentials in money income, even when these were narrowed sharply (as during the Great Leap Forward and the Cultural Revolution), there existed enormous inequalities in actual access to goods, such access having been and remaining to this day (though marginally less so) primarily a function of a person's or group's position on the political power ladder and of bureaucratic connections. Indeed, one of the reasons for the resistance of party-state bureaucrats to the marketization and concurrent monetization of the economy is that this "privilegentsia" is concerned about the possible loss of the private "rents" that they have drawn from public property under the system of monopolistic party-state power.[26]

There was unemployment under the old system, but it, too, was hidden—behind the guarantee to everyone of a job, irrespective of personal preferences between work and leisure and regardless of how marginal the job-holder's contribution to production might be. The result was chronic overstaffing in most branches of the economy, low labor productivity, and massive loitering on the job—which took the place of pounding the pavement in search of work. In effect, under the old system, a good part of the worker's wage was an unemployment compensation payment made on the job (or "on-the-job unemployment").

The visibility of the many problems stemming from the still partial and modest marketization of the Chinese economy is intensified by China's increased interaction with the outside world and the availability of more timely, more reliable information.

The first reaction of many upon confronting these problems has been shock. Reformers are shocked by rising prices, emergent unemployment, widening income disparities, eroding living standards of some key social groups, the lean and mean way in which wealth is pursued, and most of all, by their own apparent inability to bring these problems under control through the use of such market instrumentalities as they have managed to put in place. The opponents of structural reform are shocked by the nakedness of the phenomena, but even more by what they believe is the grievous damage being done to the institutional foundations and guiding ideas of Leninist socialism. They are disturbed by spontaneity under the changed system, interpreting it as "chaos," "anarchy," and erosion of the party's "leading role." The confidence of ordinary people in marketizing-privatizing reform is also undermined by these many adverse economic phenomena.[27]

Given these real problems and their increased publicity, China's reformers are faced with the challenge of devising a coherent and forward-looking analysis

[24]Yang Xiaobing, "China's Battle Against Corruption," *Beijing Review*, Jan. 16–22, 1989, p. 20. According to the *People's Daily*, peasants in Jiangsu province in the first half of 1988 spent 1.5 billion yuan on "sympathy gifts" for officials. For China as a whole, such bribes increased by 30 percent compared with the same period of 1987. (How these figures are arrived at is a good question—JP.) *China News Analysis* (Hong Kong), No. 1371, Nov. 1, 1988, p. 4.

[25]"Rolling Back the Years," *Asiaweek*, Nov. 18, 1988, p. 26.

[26]Jan Winiecki, "Why Economic Reforms Fail in the Soviet-Type System: A Property Rights–Based Approach," Seminar Paper No. 374 (1986), Institute of International Economic Studies, University of Stockholm.

[27]"Facing so many problems, people, including many young people, almost lose their confidence in our reform," was how a young Chinese economist described the situation to the author in a private communication in Beijing, Dec. 20, 1988.

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which can help offset a built-in tendency to revert to the old administrative command remedies. Any restructuring of a complex economic system will involve disruption, some of it very painful. If the general direction of the reformist changes is judged to be correct—and China's improved economic condition today (the "sweet" side of the experiment) compared with 1978 would suggest that it is—several questions need to be addressed. They are: which of the problems linked to the reforms are avoidable, i.e., reflect policy mistakes; which are structurally necessary and unavoidable and must be accepted as part of the price of change; and what is the minimum critical mass of reforms (and their attendant disruptions) that have to be introduced if the objectives of reform (elimination of chronic shortages, increased static and dynamic efficiency, improved quality) are to be achieved? Reasoned answers to these questions, shared with the population at large, could help reduce the propensity of officials to panic at the first encounter with serious difficulties and to take shelter in pseudo-remedies that invite the Brezhnevite stagflation.[28] Assessment of the causes of China's economic sourness is a critical starting point in such an analysis.

Causes of Sourness

China's major economic problem today is that changes in supply and demand are not translated into prompt reallocation of resources. Part of the reason is technical—advanced degradation of soil, neglect of irrigation and drainage facilities, a critical shortage of trained personnel, scarcity of residential housing and the existence of locally administered rationing (which add to the administrative impediments to labor mobility), obsolete industrial equipment, and deficient transportation. But the most important causes are systemic. They have to do with the limited nature and extent of the structural changes made so far.

Like Czechoslovakia's marketizers before 1968, many Chinese reformers see marketization and privatization of the economy as a way to banish the problems inherent in central administrative planning without acquiring too many troublesome new ones, and to grow rich quickly and painlessly in the bargain. But the market, even at its best, is not a panacea. As John Stuart Mill outlined in his *Principles of Political Economy* (1848), markets are subject to failure. They also raise delicate ethical problems, some of which can be addressed only through the judicial agencies of the state. "Normal" market disabilities (business cycles, inflation, unemployment, politically or ethically unacceptable patterns of income and wealth distribution, balance-of-payments disequilibria) can be addressed with varying degrees of success by resort to macroeconomic monetary and fiscal instruments—e.g., manipulation of the money supply via interest rates, and tax policy. Such market control levers are just as indispensable a component of the market/price system as are legal rules for contract and tort—and, more generally, observance of the rule of law. In their absence, the market system dissolves into a stateless and lawless society or libertarian anarcho-capitalism.[29] Laissez-faire does not mandate the absence of state intervention in the market, but merely the limitation of such intrusion.

The trouble is that the Chinese system after 10 years of policy and structural changes (adjustments and reform) is not a market system, nor is it any longer a coherent, centrally planned system. It is, as many Chinese economists recognize, neither fish nor fowl, neither plan nor market. Even if this in-between construct were equipped with market-type macroeconomic instrumentalities of control (an independent banking system and a system of taxation capable of having an impact on the market), the ability of such instruments to deal effectively with the economy's present problems would be questionable. For China's economy is not a market economy but a dismantled planned economy with uncoordinated, unlinked, and imperfect markets existing here and there for individual goods. Similarly, one can question the ability of administrative levers to deal with problems that are partly administrative in origin, partly market-related, and partly the result of the uncomfortable coexistence of markets and administrative command.

Liu Guoguang graphically describes the current state of reform in China:

China has proceeded in a piecemeal fashion, so at present the old and new systems coexist alongside each other. The aim of introducing reforms gradually was to avoid massive social and economic upheaval. However, this blending of two systems has undoubt-

[28]"China, arthritic after 40 years of central planning, still finds the idea of market prices hard to understand. Some of its leaders, the collective rhetoric notwithstanding, would prefer to return to the old ways, when prices were controlled, supply fixed, and demand ignored." See "Freeze a Bit, Melt a Bit, Stir," *The Economist,* July 30, 1988, p. 34.

[29]James Buchanan, "Man and State," in Svetozar Pejovich, Ed., *Socialism: Institutional, Philosophical, and Economic Issues*, Dordrecht, Boston, Lancaster, Kluwer Academic Publishers, 1987, pp. 3–9. On market failures, see Andrew Schotter, *Free Market Economics: A Critical Appraisal,* New York, St. Martin's, 1985, Ch. 4.

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edly generated a series of thorny problems. For example, with neither the old mandatory system nor the new market system effectively dominating the distribution of resources, the defects of both systems have been magnified. Confusion has arisen in production, circulation, and management, creating much leeway for speculation and racketeering. This has led many Chinese and foreign economists to suggest putting an early end to the coexistence of the two systems and establishing the dominant position of the new system as soon as possible. However, such a transformation is no easy job.[30]

China's economic changes, like Mikhail Gorbachev's *perestroyka,* have so far proceeded in a conceptual vacuum rationalized as "pragmatism," which the leadership describes as "crossing the river while groping for the stones." There is no coherent blueprint for change, no theory of systemic transition; instead there is the fuzzy and fairly meaningless goal of "socialism with Chinese characteristics," which presumably involves a shift of emphasis from mandatory to "guidance" planning with market transplants here and there, and some diversification of property forms.

The only definite statement of objectives is a negative one. Despite a good deal of revisionist thinking on the meaning of socialism (what Marx really meant, how far Marxism is relevant to present-day conditions, whether and/or how much Mao and others distorted the essence of socialism), China's leaders seem determined not to go all the way to the market system.[31] This is true despite the graphic demonstration by the newly industrializing countries of Asia—on China's very doorstep—of the ability of a market system in which private property rights dominate to supply people with increasing quantities of the desired goods at prices they are prepared to pay.

Unless thoroughly rethought, this half-way approach could prove fatal to the Chinese (and Soviet) reform efforts. A system is a logically consistent whole of mutually compatible, supporting, and interacting ideas and institutions (agreed-on ways of doing things). It must be accepted as a whole, as a package, or not at all. Half-measures accentuate the basic incompatibilities of market and plan philosophies and institutions and psychologically compromise the reform movement. They give rise to disillusionment, make for loss of momentum, and encourage recidivism. A slow and graduated pace, while it may lessen the pain of systemic transition, also enables those adversely affected by the changes (e.g., the formerly privileged bureaucrats and coddled state-sector workers) to organize powerful political opposition to reform. Lack of synchronization and comprehensiveness disrupts the logical institutional linkages of the old system without creating workable new ones.[32]

Conditions for a successful market system. To be successful, a market system must have the following attributes:

1. There must be free markets for goods and factors (land, labor, capital, entrepreneurship). This means free access and exit for buyers and sellers, and no physical rationing of inputs and outputs. Voluntariness of transactions is the operational principle.
2. Prices must reflect relative scarcities, i.e., marginal social (private and external) costs to producers and marginal social utilities (use values) to users. Market prices must be the core device providing information, coordination, and incentives.
3. There must be workable competition among and between buyers and sellers, that is, alternatives should exist. With a few, strictly circumscribed exceptions, there should be no monopolies, central or local, private or public.
4. There must be maximizing (rational) economic behavior by sellers and buyers. Sellers must want to make profits by responding to buyer demands expressed in competitive prices, and buyers must seek to maximize their satisfaction.
5. Private property rights must be dominant. Private property rights require the vesting in individuals or freely constituted associations of individuals of very broad rights as to the use and transfer of property and the drawing of income from it.
6. Macroeconomic (monetary and fiscal) instrumentalities of (indicative) intervention in the market process must be in place, as must institutionalized arrangements (e.g., social security and unemployment insurance) to deal with market disturbances and structural market faults.

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[30]Liu Guoguang, loc. cit., p. 25. One suggestion for moving to a full market system may be found in my "China's Economic Reforms," published in *Journal of Comparative Social and Economic Studies* (Beijing), No. 3, 1988, pp. 36–40.

[31]E.g., "China's state-owned enterprises will never be privatized." Zhao Ziyang, "Report to the 3rd Plenary Session of the 13th CPC Central Committee (September 26, 1988), *Beijing Review*, Nov. 14–20, 1988, p. v. On systemic transition, see Jan S. Prybyla, "The Chinese Economy: Adjustment of the System or Systemic Reform?" *Asian Survey* (Berkeley, CA), May 1985, pp. 553–86.

[32]"The right solution was prescribed long ago by the logical economists who brought about the great postwar economic miracles in West Germany and Japan: instantly free all prices, mercilessly control the money supply, and keep the currency undervalued." See "High Pressured, But Out of Steam," loc. cit., p. 38.

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As we shall see below, China's economy today fails to meet most of these criteria.

China's Current Economic "System"

In contemporary China, marketization and privatization are more advanced in agriculture than in industry, and they apply more to the movement of goods than of factors. In fact, there is practically no market for land, with the exception of a rudimentary market for a small segment of urban real estate. There exists a partial and very imperfect market for labor: rural labor can move from the land to rural industry, but not (at least not legally) to urban industry. Contract industrial workers are more mobile than those—the majority—assigned to workplaces by state labor bureaus. And there is a residual market of sorts for capital goods (market sales of above-plan producer goods). Despite the publicity given them by Western media, financial markets are very underdeveloped, and Chinese stock exchanges are rather pathetic affairs at present.[33]

The continued, extremely limited mobility of factors violates the first condition of a successful market system. It makes it impossible for resources to be reallocated quickly (if at all) in response to shifts in demand, perpetuates the demand-supply disequilibrium that has long plagued the economy, promotes inflation, and contributes to hidden unemployment and low labor productivity.

The free market condition is also violated by the continued presence of central physical rationing of key inputs and outputs. Although fewer goods are subject to such rationing than before 1978, the number and strategic significance of the items still rationed distort the functioning of both the residual "free" markets for such goods and the markets for other goods. At present, 40 percent of the capital goods requirements of Chinese industrial firms are supplied through commercial (albeit politicized) channels; the rest are supplied through centrally planned allocations.[34]

Although some freeing of individual prices has taken place (again, more in agriculture than in industry), the process has been staggered and uncoordinated. The notion of price interrelationships, including interrelationships of prices for goods and factors, is not well understood, or if understood, is ignored. Liberation of the price *system*—as distinct from prices of one or another individual item—is not in sight.[35]

To ease the transition to a freer price system, a two-track price arrangement has been implemented, under which some prices for a particular commodity or factor are set by the planners (with little or no attention to supply and demand), while others are determined by imperfectly articulated market forces. This unsatisfactory compromise does little to improve the allocative rationality of China's price system, and probably makes the old system's formidable behavioral distortions worse.

The arrangement certainly encourages "corruption" (some would call it "arbitrage") as entrepreneurs with the right political connections obtain scarce inputs earmarked for planned production at low state-set prices and resell them to input-hungry firms at higher quasi-market prices. The seller has inputs to sell because he has secured excess supplies of them from the state by overstating his needs (a fact overlooked with the help of his ministerial connections), or simply because he has failed to fulfill his state production contract. "As the government has control over all fixed-price raw materials, factory managers find any way they can to 'get to the mayor' rather than 'get to the market'."[36] This schizophrenic arrangement applies to prices of agricultural as well as industrial goods, to payments for labor (contract wages versus planned wages, basic wages versus income from moonlighting), to currency values (*renminbi* versus foreign-exchange certificates), and to other exchange activities. The ramifications are succinctly summed up by Western economist Bela Balassa:

The two-tier system of sales and prices increases the freedom of decision-making for the firm, but may have adverse effects on the national economy. Since raising the quota allocation of inputs and reducing that of output may affect the firm's profits to a much greater extent than any improvements in production, bargaining and influence-peddling are at a premium. Nor should it be assumed that profitability at the prices of above-quota sales represents social profitability, in part because these prices differ from equilibrium prices that would be obtained in the absence of quotas, and in part because the prices of capital and labor do not reflect scarcity relationships.[37]

Thus, under existing conditions, even the so-called markets in China (on which above-contract goods are

[33]See Dorothy Solinger, "Capitalist Measures with Chinese Characteristics," in this issue of *Problems of Communism*, pp. 19–33.

[34]Jin Qi, "Factory Directors' Worries," *Beijing Review*, Oct. 3–9, 1988, p. 7.

[35]"China's Seriously Distorted Pricing System Has Not Been Fundamentally Changed," *Beijing Review*, Sept. 26–Oct. 2, 1988, p. 7.

[36]"I used my money to buy his power, and then used his power to make myself more money," said a "business operator" caught bribing a supply official. See *Liaowang* (Beijing), Sept. 12, 1988, pp. 10–12, trans. in *Inside China's Mainland*, January 1989, p. 22.

[37]Bela Balassa, "China's Economic Reform in a Comparative Perspective," *Journal of Comparative Economics* (San Diego, CA), No. 3, 1987, pp. 410–26.

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sold) are to a critical extent markets in favors, and buyer-seller "bargaining" is often soaked through with politics. This is not the sort of "higgling and bargaining" Adam Smith had in mind.

Most Chinese economists and many officials are aware that "the key to reforming the economy is price reform. Until China's distorted pricing system is straightened out, it will remain impossible to lay a proper foundation for the establishment of a socialist commodity economic system."[38] This awareness is qualified (there is a fairly widespread unwillingness to admit that prices must be flexible upward as well as downward and that they should move up and down by themselves), and tempered by fears of social upheaval if prices were to be freed overnight in the context of excess demand for almost everything usable. In the words of one observer: "Price reform must not be carried out impatiently or in isolation. It requires favorable conditions and coordination with other reforms."[39] There is circular reasoning involved in this assessment: "favorable conditions" (demand-supply equilibrium) will not be achieved so long as the price system remains irrational, rigid, and schizophrenic.

The fourth condition—economically rational buyer and seller behavior—is also not satisfied. The behavior of Chinese buyers and sellers is, of course, rational within the context of allocatively irrational price signals. It involves considerable political bargaining, a running self-accounting of favors received from and rendered to one's hierarchical bureaucratic superiors or otherwise well-connected persons—what one might call "socialist feudalism." This behavior breaks the indispensable link between private and social interest brought about by a depoliticized competitive market mechanism, and thereby gives private profit and utility maximizing a bad name.

Because of the difficulties involved in completely marketizing the price system, attention has shifted (perhaps by design of some reformers intent on keeping the reform momentum going) to what appears at first sight to be the less politically explosive, although ideologically sensitive, issue of property reform—i.e., privatization. The problem of excessive nationalization has long been recognized in China, and some conversion of state property to cooperative ownership has been carried out since 1978 alongside the expansion of private property and of various mixed property forms.

Some Chinese economists rationalize the reversion to private ownership in terms of expanding the autonomy of enterprises—giving them greater right to use, transfer, invest, and draw income from the assets they employ. Shareholding in firms can be advocated as "reestablishing the individual rights of workers," a "legitimate" socialist operation if the shares are sold to the firms' workers, and even if they are purchased by the general public, since everyone in China today is by definition a worker. Additionally, since most of the stock floated to date resembles bonds more than equity shares, this can serve to explain away the delicate question of private ownership.

Enterprise issuance of stock and bonds can also be defended on anti-inflationary grounds, as drawing purchasing power out of the pockets of would-be consumers and channeling it to productive use. Moreover, it is argued, worker-proprietors will have an incentive to work harder and better, and to take good care of production plant and equipment. Labor productivity and output will rise, market equilibrium will be achieved, and, at that point, the price system can be freed without fear of social disturbances.

The best-known of the Chinese economists making this case is Li Yining, professor of economic management at Peking University, whose report recommending postponement of reform of the price system for two years and a resolute push on the property liberalization front (justified as necessary for increasing enterprise autonomy) was released in May 1988. This report seems to have served as a fallback position for the reformists during the debates at the Beidahe meetings in the summer. Li included agriculture in his property privatization argument:

Farmers must feel that they have control over the land. Nowadays farmers use their lands carelessly and make little effort to improve soil fertility. They act as if they don't expect to live off the land too long.[40]

Li argues that peasant families should even be granted by law the right to sell and sublet family allotments.

Others, like Wu Jinglian, director of the Technological and Social Development Research Center under the State Council, argue that to postpone liberalization of the price system and to retain for any length of time the two-track price arrangement poses the risk of an indefinite shelving of all meaningful economic decentralization reform. So long as prices are distorted to the point of being useless—indeed, inimical—for purposes of rational resource allocation, the granting of greater

[38]Ge Wu, "Policy of Reform and Openness Remains Unchanged," *Beijing Review*, Oct. 31–Nov. 6, 1988, p. 7.
[39]Ibid., p. 7.

[40]Cited by Adi Ignatius, "Chinese Policies Run at Cross Purposes in Fumbled Attempt to End Farm Crisis," *The Wall Street Journal*, Feb. 1, 1989; see also, Robert Delfs, "Property to the People!" *Far Eastern Economic Review*, Dec. 22, 1988, pp. 12–13.

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Traditional heavy industrial production, as at this Wuhan mill, remains under highly centralized control in China.

—Guy le Querrec/MAGNUM.

decision-making powers to firms will only mean that it is the firms, not the central planners, that will make allocatively irrational decisions. There is going to be more waste, which will reinforce the position of those unhappy with the reform. "I worry," says Wu, "that China's problems may strengthen the hand of our most cautious economic thinkers. If the next few years go badly, China will wind up like the countries of East Europe, saddled with an inefficient, half-reformed economy."[41]

Competition, another condition of a successful market, also is inoperative, or operates in twisted ways. Giving directors of firms greater powers over procurement of inputs, the disposal of output, the hiring/payment/firing of manpower, and the retention of profits does little if anything to advance the cause of market efficiency if the newly autonomous firms are monopolies, on a nation-wide or regional scale.

At first glance, the distribution of Chinese industrial enterprises by size does not seem to be a problem, especially when compared to the distribution in other socialist economies, including those (e.g., Hungary) farthest along on the reformist road. In number of employees, for example, the proportion of large firms (those employing more than 243 persons) is 0.6 percent in China compared to 65 percent in Hungary, and the proportion of small firms (5–33 employees) is 59 percent in China, compared to 2 percent in Hungary. Such a comparison, however, is deceptive. Chinese firms in key industries (coal, petroleum, steel, nonferrous metals, timber, cement, electricity, chemicals, synthetic fibers, newsprint, cigarettes, machinery, and munitions) remain under the jurisdiction of central or provincial ministries, industrial departments, and "corporations." As a result, a still significant, if reduced, portion of their supplies is directly controlled by these fiefdoms, as is the distribution of a portion of their output (with corresponding state price controls). These governmental supervisory bodies interpret their legal ownership of firms broadly and in an exclusivist spirit. They protect "their" firms from the competition of enterprises under rival jurisdictions and dispense favors among their favorites irrespective of performance or any notion of social utility. Frequently, the favored firms happen to be big, with large assets, many workers, and good networks of social connections. Under this neomercantilist arrangement, enterprises compete not to maximize profits (which, given the chaotic state of China's prices, may be just as well), but to maximize costs and resources under their control—a phenomenon common to centrally planned and half-reformed socialist economies. Some Chinese economists argue that "under the current structure [of property rights tied to administrative hierarchies] so-called decontrol [of prices] merely means that state monopolies would become enterprise monopolies."[42]

This tendency toward monopoly has been aggravated of late by the tendency of provincial authorities in China to put up all kinds of institutional (and, on occasion, physical) barriers to interprovincial trade and the movement of production factors (labor, capital) to protect local enterprises and economies. Such actions create decentralized monopolies and promote regional autarkies. In the absence of a market mechanism or central plan to coordinate matters, such barriers to interregional trade, together with locally-financed and locally-directed, overlapping investment, seriously inhibit competition and make it difficult for China to reap possible efficiency benefits from interregional special-

[41]Adi Ignatius, "Beijing's Two Top Economic Thinkers Reflect Leadership's Broader Divisions," *The Wall Street Journal*, Oct. 26, 1988. Liu Guoguang observes (loc. cit., p. 26) that reforms in property ownership and pricing "are interrelated" and "should be carried out in close coordination".

[42]Hua Sheng, Zhang Xuejun, and Luo Xiaopeng, as cited in Delfs, loc. cit., p. 12.

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ization.[43] What "competition" there is in these circumstances is rivalry among speculator-bureaucrats out to make a quick killing from the combination of regional monopoly (including monopoly of political power and information), two-track prices, and the already-mentioned absence of any automatic mechanisms for reconciling individual and social interests.

This devolution of many decision-making powers from the center to the provinces and lower-level authorities would not have the serious anti-efficiency effects that it does if the power were devolved from central plan to market and from socialized-bureaucratic to private property. In that case, the government could use macroeconomic fiscal and monetary instruments to cushion market breakdowns and correct market failures. Alternatively, purely administrative decentralization of the central planning apparatus, without the introduction of market and private property elements, would permit the central government, if it wished, to reverse gears quickly (as the Soviet government has done many times), because such bureaucratic decentralization would simply deactivate, not eliminate, the administrative controls available to the central planners.

Where, as in China, economic changes are at an in-between, neither-this-nor-that stage, there are no effective institutional levers for the center to use when things go sour. Matters are not made easier by the propensity of the central state to use such infant macroeconomic market-type levers as have been created in heavy-handed commandist, political, and administrative ways—as, for example, when the Ministry of Finance is used by central authorities to order the banks to freeze or re-allocate credit, thus destroying the substance and subverting the purpose of the expanded banking system and financial markets.

Matters are aggravated by the inadequacy or absence in the plan of social infrastructures. Like other socialist countries, China lacks a comprehensive unemployment insurance system to handle open joblessness—the very existence of unemployment is officially denied under the system of central planning. This encourages the bailing out of firms by the government, irrespective of the firms' performance, to prevent the eruption of social disturbances consequent on the dismissal of millions of redundant workers. In effect, each working unit (*danwei*) is, in addition to being a workplace, a social security cell that provides its members not only with wages and bonuses (still largely tied to seniority) but also with the unemployment compensation component of the wage; subsidized housing and meals; recreational, health, and day-care facilities; public assistance; public surveillance; and so on. Whatever the merits of this cocoon-like arrangement, it has the economic cost of reducing labor mobility—even if workers could legally change jobs, they would be reluctant to do so because they would have to part with extremely scarce *danwei*-supplied housing. It is not surprising that Chinese firms—with these broad social-welfare responsibilities, no threat of bankruptcy, little if any competition, and a chronic sellers' market—are no paragons of efficiency.

In the days of Mao and the early days of Deng Xiaoping, weaknesses of the institutional structure could be overcome to a degree by the sheer will, personal power, and prestige of the leader, and, before 1958, of the party. But today, Deng is old and semi-retired (perhaps physically and mentally weakened), the leadership is divided, and the prestige of the party has been squandered. The economic changes carried out so far are neither fully institutionalized nor any longer personalized. What was described a few years ago as rational economic pragmatism and was contrasted with the mad spasmodic development of the Maoist era (and hence accepted by the people and most cadres who had suffered from the Maoist madness) now gives the impression of a thrashing about in a conceptual void. In sum, the sixth condition of a successful market system—the presence of effective market-oriented control levers—remains unfulfilled in present-day China.

Official Outlook on Remedies

The reaction of the central authorities to the latest spate of difficulties—like its response to problems in 1985–86, only more so—has been to dust off the levers of administrative control and apply them to an economy which can no longer respond to this type of intervention without serious, perhaps irreparable, damage being inflicted on the economy's fragile market component. The "Soviet syndrome," say some reform-minded Chinese economists, is making its appearance in China.[44]

A foretaste of things to come was given by party leader Zhao Ziyang in his report to the Central Committee in September 1988.[45] The emphasis, he said, would be on keeping the reform's risks to a minimum. This

[43]"Farmers sneak out at night to bypass the authorities. Regional protectionist measures, such as internal tariffs seemingly similar to the *likin* transit taxes of the last century, are fragmenting China into a country of warring economic fiefdoms." See Louise do Rosario, "China's Price Pirates," *Far Eastern Economic Review*, Oct. 13, 1988, p. 96.

[44]E.g., Wu Jinglian, cited in Adi Ignatius, "Beijing's Two Top Economic Thinkers...," loc. cit.

[45]Zhao Ziyang, loc. cit., pp. i–iii.

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means, according to Zhao—once one of the more enthusiastic proponents and practitioners of bold marketizing and privatizing reforms—improving administration and central control ("unified guidance of the central government") and strengthening the supervisory role of planning organs. Instead of getting the party out of the business of running the economy, provincial party secretaries are to be held responsible to the central government for unified economic guidance. Thus, concludes Zhao, "the party's leading, supervisory, central role should be strengthened." That is bad news for reform and economic efficiency.

How to put an end to bank runs and panic buying? asks Zhao. Issue a circular from the Central Committee, pass it out to party organizations, and "mobilize the whole party to play a major role" in ridding people of their bad habits. Problems of "price hikes . . . socially unfair distribution of wealth, and . . . corruption" are to be cured through a mass "educational drive . . . the most practical and welcome part of our political and ideological work." Zhao continues:

To exercise macro control, it is necessary to make comprehensive use of economic, administrative, legal, and disciplinary means, as well as to conduct extensive political and ideological work. In the transitional phase, in particular, it will be unwise to abandon administrative means prematurely or off-handedly. Otherwise, economic chaos will ensue.[46]

Although Zhao asserts that "the purpose of strengthening administrative means is to better promote the reforms, not to return to the old system," the degree of the latest turn suggests a high probability of precisely such a return to a command economic system.

Specific Measures

How is this official viewpoint being translated into action? Let us examine some of the specific areas affected by this perspective.

With regard to price reform, the current euphemism is that it has been "temporarily moderated, not canceled." What this means in practical terms is that liberalization of the price system has been postponed for "five or so" years.[47] Instead, prices of key commodities (food grains, edible oils, cotton, some other farm goods, steel) are to be frozen by administrative order, or are to rise only at government-sanctioned rates. If, however, the marketization of the price system is put off for five, or even two years—a delay that would probably be accompanied by a rollback of free agricultural prices—the Chinese reform is likely to go into a coma from which it might not recover in the lifetime of the present leaders. The Soviets, it might be recalled, have been postponing comprehensive price decontrol for "five years or so" since the 1950's.

Indicative of the prevailing trend is Zhao Ziyang's statement that "the double-track pricing system . . . cannot and shall not be abolished in the near future."[48] The property-reform-first economists like Li Yining, to whom the reform bureaucrats seem to be turning out of frustration with the recalcitrant price system, are willing to put up with two-track prices until the year 2000, maybe longer. Their reasoning is that half a reform is better than none, and that the second track, of relatively free prices, is an outpost of reform in increasingly hostile territory, and that it must be defended despite all its drawbacks.

To combat inflation and cool the economy down, the central authorities have applied a combination of austerity economics and recentralizing politics, of policy adjustments and reform "destructuring." They include the reintroduction of rationing for grain, pork, some nonstaple foods, chemical fertilizer, herbal medicines, and most raw materials. To conserve scarce resources, they have ordered manufacturers of soft drinks to cease production (an order that was been widely defied, at least during the hot summer).

In order to slow industrial growth to 8 percent in 1989, the government plans to reduce investment in fixed assets by 19 percent.[49] These "plans" are, of course, just projections, and hence may not materialize. Moreover, they apply to investment *within* the plan, whereas the major problem in the last decade has been with runaway industrial and "nonproductive" investment *outside* the plan, financed by enterprise retained earnings, bank credits, and peasant savings. To take care of such unruly investment, the central government has ordered the central bank, and through it, the banking system at large, to hold credit issuance to government-set limits. In effect, new bank loans, other than those specifically approved by the state plan, have been temporarily forbidden.[50]

This freeze does not directly affect loans denominat-

[46]Ibid., p. vii.
[47]Ge Wu, loc. cit., p. 7.
[48]Zhao Ziyang, loc. cit., p. iv.
[49]See Li Peng's report to the National People's Congress on Mar. 20, 1989, in Beijing Xinhua, Mar. 20, 1989, transcribed in Foreign Broadcast Information Service, *Daily Report: China* (Washington, DC), Mar. 20, 1989, p. 34. Li made some rather imprecise references to plans of central financial authorities to "put more money into agriculture," which suggests a greater than 19 percent cut in state industrial investment.
[50]Louise do Rosario, "Peking's Growing Pains," *Far Eastern Economic Review*, Jan. 5, 1989, pp. 54–55.

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ed in foreign currencies, loans made to foreign investment projects, or loans to finance foreign trade, but lending in such areas feels the ripple effect of such credit tightening. To conform to the central bank's austere monetary restrictions, local and specialized banks have not only reduced their lending activities, but have blocked enterprise withdrawal of deposits. This has produced a severe temporary cash shortage affecting, among others, state agricultural procurement agencies, which are now compelled to pay for their purchases with IOU's to the tune of $1 billion. The peasants reacted promptly within the decision-making space that the reform affords them, by withholding contractual deliveries of commodities to the state and turning to the production of cash crops for the profitable, higher-priced free market. This development forced the People's Bank of China (the central bank) to relax its squeeze on lending to the Agricultural Bank of China—the principal source of credit for the farm sector.[51]

All of this has led anti-reform elements to call for the elimination of urban markets for food, and to attempt to teach the peasants a lesson by threatening them with re-collectivization. Rumors of collectivization under a different name have been rife in China for some years and have contributed to the reluctance of many family farmers to make long-term investments in their plots of land. There is talk of merging family land parcels under a collective umbrella. The talk has been translated into action in some places, but such actions were subsequently reversed under pressure from the dispossessed peasants who, when they did not beat up the offending cadres, took the re-collectivization zealots to court and won, in a rare display of socialist legality.[52]

Measures are also under consideration to compel farmers to switch from cash crops to grain production. This has happened in a number of places—albeit informally, under the leadership of local cadres eager to set their sails to what they think are the prevailing political winds. However isolated, such instances of socialist recidivism in what is the bastion of the marketization and privatization experiment—the countryside—should give pause to those Western observers who argue that the changes made since 1978 in the structure of agricultural property are by now irreversible because the peasants favor them, the World Bank advocates them, and prominent Chinese economists support them.

[51]Adi Ignatius, "Chinese Policies . . . ," loc. cit.

[52]Ibid. On the re-collectivization threat, see "China's General Agricultural Policy," *Nongye jingji wenti yuekan* (Beijing), No. 12, 1988, pp. 3–9, excerpted in *Inside China's Mainland*, February 1989, pp. 16–18; speech by Li Peng to the closing session of the National Conference on Work in Agriculture, *Nongmin ribao* (Beijing), Nov. 8, 1988, p. 1, excerpted in ibid., pp. 18–20.

Curbs have been imposed administratively on the purchasing power of various "social groups"—e.g., government departments, schools, hospitals, enterprises, "companies," "corporations," and army units. Investigators have fanned out over the country, poring over account books and slapping on heavy penalties whenever an organization's frozen bank deposit shows signs of melting (usually under the heat of political influence). Big-ticket items on the spending list of these groups include "luxury" products (e.g., limousines), banquets, extensive and feverish travel on what purports to be official business, and "nonproductive" (in Marxist terminology) investment in hotels, rest homes for cadres, convention halls, and other places of proletarian entertainment. Special investigative ire has been reserved for trading companies that have proliferated in recent years, some under provincial sponsorship, others fronting for all sorts of "social groups."

Interest rates on personal long-term savings deposits have been raised, being loosely linked to the retail price index—so loosely, in fact, that the real interest rate remains negative. The interest rate increase was carried out in order to halt runs on savings deposits in anticipation of what the depositors thought would be reform-connected massive price increases. Even with the runs, the volume and rates of personal savings in China (as in the Soviet Union) remain relatively great, in large part forced by the absence or shortage of goods and services in the quantities, quality, and assortments desired by consumers. Interest rates on investment loans have also been raised, but remain too low to discourage institutions from borrowing (rather than utilize retained earnings) for purposes of investment outside the state plan. When, as in China today, manipulation of the essentially nonmarket interest rate fails to produce the intended results, the state simply resorts to administrative compulsion.

The so-called gold-coast strategy of pushing ahead with marketization and privatization of the already relatively prosperous coastal provinces and municipalities and turning them, in effect, into large, special economic zones (SEZ's), is being reconsidered and might be abandoned, at least for the time being ("five years or so"?). The gold-coast strategy, associated with Zhao Ziyang and Deng Xiaoping, is based on the "trickle-down theory." According to this theory, the riches that 14 open cities and five SEZ's in the coastal region have acquired through relatively open and autonomous contacts with capitalist world commodity and financial markets are supposed to spread to the poorer inland provinces. It would appear, however, that the powers granted to the gold coast's provincial, municipal, and SEZ authorities have been used for autarkic provincial,

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The Bank of China, in Beijing.

—Allison Finn/*Far Eastern Economic Review.*

municipal, and SEZ development and have not trickled down at all to the poorer provinces. And so, instead of further gold-coast liberalization—that is, closer association of this huge area with the world market—the intent now seems to be to make the gold coast march to the centralizing beat of the drummers in Beijing.

One of the objectives of the gold-coast strategy was to introduce competition into an important segment of the Chinese economy by opening up the coastal area to world trade and finance (letting in competition through the open back door, so to speak). This stratagem hinged on the willingness of the authorities to establish realistic exchange rates for the yuan and to let inefficient state firms go out of business. It is not at all certain that such willingness existed even before the gold-coast strategy was put on hold.

Wage reform—the scheduled phasing out of the Soviet-type, labor grade, basic wage system and a shift to flexible contractual wages—has been put on hold.

Finally, reform of the political system, which has never been high on the agenda but was being toyed with in 1987 and the first half of 1988 in the fairly innocuous guise of a shift from totalitarianism to hard authoritarianism, has also been put on the back burner, at least in part a victim of the economic retrenchment.

Fears of the possible adverse effect of this economic retrenchment on employment have been expressed. The official estimate is that the unemployment rate in 1989 will rise to 3 percent from 2 percent in 1988. Unofficial estimates are that the real jobless rate in 1988 was closer to 10 percent, with hidden unemployment in the urban state sector at 20 percent.[53] Because of the clampdown on investment, as much as a quarter of the construction workforce could be out of a job by mid-1989. It is possible that small and medium-sized labor-intensive enterprises will be most affected, particularly the hundreds of thousands of rural ones. These firms, employing millions of peasants displaced from the land by the early improvements in labor productivity and yields consequent to agricultural decollectivization, do not have nearly the political clout needed in China's semi-reformed system to obtain regular supplies of scarce raw materials, equipment, and access to transportation facilities and bank credit.

The crackdown by the center, and the center's resort to both administrative-command and "economic" levers to make its preferences stick, is being resisted tooth and nail by provincial bureaucrats and enterprise managers in the more economically successful provinces and regions, including the SEZ's on the gold coast. In this resistance, Guangdong province leads the way, followed closely by the Shenzhen SEZ, and places like Shenyang. This resistance is not necessarily pro-market; it is pro-oneself, which—in the currently gelatinous structure of China's economy—means protecting what one has irrespective of considerations of systemic logic.

The effectiveness of the resistance to central intervention will have an important influence on the direction that economic experimentation in China takes in the future. It could lead to greater relaxation of central controls or—more likely—induce the central authorities to deploy the full array of repressive administrative weapons still available to them, including the public security apparatus. Preserving unity will remain the top priority, even at a high cost in economic efficiency.

Concluding Remarks

This review of China's economic problems and the remedial measures taken to deal with them raises an interesting question. China's economic difficulties since

[53]Adi Ignatius, "Millions Are Expected to Lose Jobs as China Implements its Austerity Plan," *The Wall Street Journal*, Jan. 27, 1989.

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1978 are not all that different from those experienced by most other developing, and several industrialized, countries in a world that is undergoing rapid change and is in a state of systemic confusion. Chinese inflation, while in the double-digit range, is not as bad as Israel's, Argentina's, Yugoslavia's, or Nicaragua's (35,000 percent for Nicaragua in 1988). China's poverty, although still severe, is not so grinding as that of numerous other countries throughout the world. At least there is in China an awareness of it, and steps have been taken to combat it. Much the same is true of unemployment and underemployment; overheating of the economy; the relative ineffectiveness of fiscal, monetary, and administrative instruments of intervention; corruption (from which even prim and prosperous Japan is not immune); and most other disabilities. So what's all the fuss concerning China?

Part of the answer is that China is at a crossroads of choice between two very different, arguably incompatible, economic systems. The systemic choice is between plan and market, with nothing that is theoretically coherent and practicable in between.[54] True, all economies are "in-between" in the sense that they combine either dominant plan and public property institutions with subsidiary market and private property elements, or dominant market and private property with subsidiary elements of plan and public property. As systemic arrangements, the first represents a system of central administrative command planning; the second a competitive market system. The first system (plan) has structural defects (chronic shortages of consumer and producer goods, monstrous static inefficiencies, low quality, and technological backwardness in the civilian sector) which are now considered to be intolerable by both people and leaders alike. The remedy agreed on, albeit reluctantly, by the communist leadership is economic decentralization, which means movement toward the market system.

This agreement, however, does not mean that China's leaders have agreed on a complete transition to the market system, that is, to a system in which markets and private property are the dominant institutions of the reformed economy, and in which administrative-type instruments and socialized property rights play a secondary role of correcting market breakdowns and compensating for market failures. Such systemic transition would not only transform economic institutions, and socialist economic theory and ethics, but would require a concurrent transformation of the political order and its philosophical underpinnings. It would necessitate the renunciation of Marxism-Leninism at every level of human experience, not just the denunciation of Stalinism and Maoism—which are organic manifestations of Marxism-Leninism rather than errors of "work style," as some would argue. Notwithstanding pockets of optimism on this subject in the West, such a revolutionary change of concepts in China is at present and in the foreseeable future out of the question.

Thus, as China attempts to cope with the difficulties encountered by everyone on the road to modernization, it runs into the issue of systemic transformation and fundamental ideological-political change. What would normally be a debate on technical means, quickly turns into a dispute about ultimate ends—about socialism versus the capitalist order. The debate is secularly theologized, so to speak, if not always in the terminology used, at least in insinuations of moral error. This inhibits the analysis of all relevant facts, perpetuates the stifling presence of intellectually taboo areas, and prevents the emergence of a comprehensive and internally consistent reform blueprint.

The second element of the Chinese problem—a feature that distinguishes it from those of other socialist economies that over the last 30 years have tinkered with systemic reform—is that in post-1978 China, marketization and privatization have gone as far as they can without raising questions of radical systemic transformation. China is, roughly speaking, at a midway point where crucial decisions about the nature of the economic system have to be made without postponement. More precisely, this point was reached in the latter part of 1987 and the early months of 1988. At that time, the newly established market relations could not perform their efficiency-promoting functions without further expansion and coordination of market institutions. Such expansion was intuitively, and rightly I believe, seen by both the reformers and their critics as a crossing of the systemic border that separates plan from market. Concurrently, the institutions of central administrative command planning and socialized property had been weakened, their cohesiveness undermined by regional administrative decentralization, so that they, too, lost much of their former influence.

In the summer of 1988, the decision (still contested) appears to have been taken to put an end to further movement in the direction of the market system. The focus of the retrenchment measures taken since then has been on administrative compulsion. The resurgence of command is inflicting considerable damage on the frail and increasingly isolated market instrumentalities that had been created over the previous 10 years. In the name of protecting urban workers from the scourge of inflation, unemployment, unfair income distribution,

[54] Jan S. Prybyla, *Market and Plan Under Socialism: The Bird in the Cage*, Stanford, CA, Hoover Institution Press, 1987.

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and corruption, forces antipathetic to reform have been beating up on market institutions and disparaging the market idea, while concurrently tightening up political-administrative controls.

Under this onslaught, and lacking unequivocal support from Deng Xiaoping, the marketizers have fallen back to writing articles about the need to push ahead with the privatization of apartment space in the cities and on the need for greater enterprise autonomy. They give the impression of theoretical disarray in the face of the simplicities propagated by the administrative centralizers. China, some say, is on its way back from the market again, heading for another socialist dead end.

The trip back from the market can still be halted, and the economy can resume its course toward modernization. But to do this, China will have to make up its mind about systemic transition. It will have to discard the illusion that chronic shortages, inefficiency, and shoddy quality of goods and services can be cured by the application of half-remedies. It will have to go all the way to the market system—no ifs, no buts. This requires the prompt freeing of the price system (including factor prices and exchange rates), a breakup of monopolies, the dissolution of physical input rationing, significant enlargement of the sphere of private property, and the acceptance of pain. While economic in form and substance, these are also, perhaps mainly, matters of political nerve and will.

Discussing China's future possibilities, Liu Guoguang considers three courses of action advocated by different groups of Chinese economists at a "heated discussion" held not long ago. The first is that given China's "confused economic order," it is difficult if not impossible to move ahead with reform, and that it is therefore preferable to "exercise strict macroeconomic control by administrative means." According to Liu, there is wide fear that such an approach would lead to "economic deflation" and would not necessarily yield "a free economic environment" as claimed by its advocates, who assert that they are merely cautious, and not against reform.

The second course discussed is "stabilization of the economy . . . by deepening the reform," specifically by restructuring enterprise management and developing the contract responsibility system, followed in two or three years by price reform. According to Liu, economists who support this solution argue that "the new system would occupy a dominant position in approximately eight years."

The final course is an in-between approach, one nearer to the administrative retrenchment school. It combines retrenchment with "well-devised reforms to promote stable, sustained economic growth" and aims at improving the instrumentalities of macroeconomic control, strengthening the enterprise contract responsibility system "in preparation for a transition to a joint stock system," and clarifying property relations "so as to switch macroeconomic management from direct [administrative command] to indirect [indicative market-type] control and regulation."

Liu opts for the third alternative, the one that in present circumstances is politically most feasible and which would perhaps enable the reformers to hold onto some of their past gains.[55] Reasonable as it appears, this solution carries with it great danger because it proposes to remedy the present systemic confusion by using the ineffective administrative and "economic" control levers of the current half-way non-system. I would suggest that the only effective solution is continued and accelerated marketization of the price system and privatization of property rights combined with concurrent expansion of market-type instrumentalities of macroeconomic intervention. This course, however, has only a slim chance of being followed. The third alternative seems more likely to be adopted. If it is, the system will slide back into administrative command—its shortages, waste, and technological slough not overcome; the goal of modernization unattained.

[55]Liu Guoguang, loc. cit., pp. 26–28.

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Capitalist Measures With Chinese Characteristics

Dorothy J. Solinger

China's experiment in economic reform caught the world by surprise a decade ago. Observers had not expected the sudden shift away from doctrinaire Maoism and the breaking up of the nation's massive communes or China's experimentation with entrepreneurship. But as the sidewalks of its cities became dotted with petty peddlers' stalls, and a few of its factories got the right to retain a portion of their profits and to market a measure of their output (after they had fulfilled mandatory deliveries to the state), many became convinced that China was moving quite deliberately in a new direction.

By the mid-1980's, some seemingly even more drastic measures were undertaken and they appeared to augur a far more startling reshaping of the structure of the urban economy: industrial firms began selling off their state-owned assets as shares; bigger, more successful enterprises started taking over failing ones in a manner suggestive of mergers in the West; and a tiny handful of hapless plants even went bankrupt, a virtually unprecedented phenomenon in a socialist country.[1]

But a paradox lurks behind these dramatic developments. In reality, these most capitalistic of practices have *not* been sanctioned by the Chinese leadership out of an urge to reorient the economy away from state ownership and toward privatization. The political leadership, while ready to borrow the *idea* of a change in property rights, is far from prepared to take the concept to its logical conclusion. The reforms, in the eyes of the politicians, amount to a means of managing the state's macro-finances, while preserving state/public ownership. In fact, the impulse behind this second stage of reform, as I will show, has a statist rationale and a statist organization.

The reforms are state-centered in two senses. First, the new reforms were inspired by the need to recoup the losses sustained by the central budget when the first, heady stage of reform simply went out of control. Although a variety of interpretations exist about just where the roots of China's current fiscal crisis lie, at this writing (early 1989), Chinese analysts nearly unanimously trace them back to some aspect of the first stage of reform, which devolved control over profits, taxes, and many industrial raw materials to local administrations.[2] As early as the end of 1986, the proportion of funds in the national income that was controlled by localities, departments, and enterprises outside the state budget had jumped from 13.5 percent (in 1979) to 21.4 percent; as a result, the proportion of state revenues in the national income dropped from 31.9 percent (in 1979) to only 25 percent.[3]

Even as the revenues under its direct control were slipping away, another component of the reforms add-

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[1]China was the second socialist country, after Hungary, to pass a bankruptcy law.

[2]For example, in October 1988, the progressive Shanghai *World Economic Herald* noted the problems facing China and tied their solution to a genuine revolution in property rights: ". . . the serious problems resulting from the pursuit of this policy [the policy of 'decentralization and the concession of profits' to lower administrative levels and enterprises] are making more and more people realize that China must make some real and thorough structural changes in the economic field . . . ." Trans. in Foreign Broadcast Information Service, *Daily Report: China* (Washington, DC—hereafter, *FBIS-CHI*), Nov. 16, 1988, p. 40.

[3]Ibid., July 30, 1987, p. K/2.

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ed to the financial burdens of the central government: beginning in 1979 the state began to finance increasingly larger subsidies to both farmers and urban workers in the hope of stimulating productivity. By 1987, the draft state budget allocated over a quarter of state expenditures for enterprise losses (in part a function of new expenses for the firms as their wage bill expanded and as the prices of their inputs rose) and for compensation to consumers for price increases.[4] As of mid-1988, subsidies for state enterprises for the year were expected to amount to more than 40 billion yuan (US $11 billion), or almost one-half of the total industrial profit nationwide.[5]

The second dimension of this state-centeredness of the second stage of reform is managerial. Bureaucrats have been inserted as middlemen into the new markets. Indeed, in response to every innovation, a corresponding office has been designated or a new one created within the state bureaucracy to act as a sort of broker. As a consequence, the pre-existing power of state bureaucratic organs and their cadres is readily being translated into market power.[6]

The market power of the state bureaucratic organs and their cadres rests on control over key supplies and large facilities and especially on *guanxi,* or personal relationships, formed over many years of maneuvering within the state-planned economy. A key question for the future is whether—by multiplying the amount of exchange going on within the economy—the activities of the bureaucrats will eventually promote genuine marketization,[7] or, alternatively, whether the cadres will simply utilize the opportunities presented by the new environment to perpetuate their own power.

The material below considers this question, as well as others, with reference to the present-day Chinese version of stock markets and shareholding, enterprise mergers and takeovers, and bankruptcies. "Horizontal exchange," which redirects commerce and investment from the vertical pathways designed by bureaucratic planning to exchanges that cross administrative borders will also be discussed in this context. So, too, will markets for the means of production, which replace the administrative allocation of supplies that obtained under state planning. Another topic is the economic cooperation regions, which encourage division of labor and specialization among areas across the country in place of the localized self-sufficiency enforced in the days of Mao Zedong.

The measures undertaken in this second stage of reform, in an attempt to rationalize the national industrial structure and utilize its assets more efficiently, are so far turning out to be handy solutions to urgent problems. The Chinese leadership hopes that, if successful, these ostensibly capitalist-like programs will lighten the burden on the state budget, which by Chinese standards, is currently experiencing a serious deficit;[8] sop up some of the excess currency that has been issued in recent years,[9] to which many have attributed the uncharacteristic double-digit inflation now plaguing the country;[10] and, finally, direct the relatively massive funds in consumers' hands into accumulation for state concerns.[11] The need to save state funds and check inflation are crucial spurs for the new programs. Thus what can easily be mistaken for a Chinese lurch toward capitalism is actually a fleshing out of that vague concept of "socialism with Chinese characteristics" that

[4]Out of the 245.946 billion yuan of expenditures projected in the budget, 35.972 billion were to go for subsidizing enterprise losses and 33.723 billion to consumers for price hikes; together, these two categories amounted to 28.34 percent of the state budget. Ibid., Apr. 15, 1987, p. K/14.

[5]Ibid., Aug. 18, 1988, p. 39.

[6]According to the October 1988 issue of the *World Economic Herald* cited in footnote 2, ". . . the government organs' administrative functions have turned into the monopolization of the market." See *FBIS-CHI,* Nov. 16, 1988, p. 40.

[7]Mark Granovetter, in "The Strength of Weak Ties: A Network Theory Revisited," in Peter V. Marsden and Nan Lin, Eds., *Social Support and Network Analysis,* Beverly Hills, CA, SAGE Publications, 1982, pp. 105–30, implies that the multiplication of connections in a social system spawns yet more connections. For instance, on p. 113, he states that ". . . the number of weak ties is increased by the development of the communications system, bureaucratization, population density, and the spread of market mechanisms."

[8]Between 1977 and 1987, China accumulated a 59.2 billion yuan financial deficit. This figure appeared in *Liaowang Overseas Edition,* No. 48, Nov. 28, 1988, trans. in *FBIS-CHI,* Dec. 6, 1988. p. 36.

[9]In 1987, an additional 20 billion yuan in banknotes were issued to cope with rising demands for loans for construction projects and for wage and bonus funds in the enterprises. See ibid., Dec. 16, 1988, p. 26. Also, the volume of paper money issued in 1983 represented an increase of more than 30 billion yuan over 1978, having grown about 150 percent in five years; compared to 1983, the paper money issued in 1987 again increased over 900 billion yuan or 170 percent. Another report predicted that the amount of currency in circulation could rise by 35 percent in 1988. It also stated that the purchasing power generated by the currency increase had exceeded the supply capacity by more than 20 percent. See *Renmin ribao* (Beijing), Dec. 8, 1988, trans. in ibid., Dec. 20, 1988, p. 32.

[10]As of the end of November 1988, the officially recorded inflation rate had reached 17 percent, shockingly high by the norms by which the Chinese population had been living for most of the preceding four decades. See ibid., Dec. 27, 1988, p. 38. According to the *Far Eastern Economic Review* (Hong Kong), Jan. 5, 1989, p. 54, the year-end figure was estimated at 17 to 18 percent on a year-to-year basis, compared to 7.3 percent for 1987.

[11]Since the implementation of reform, the per capita income for living expenses of both urban and rural residents has doubled; the ratio of residents' income in gross domestic product expanded from 38.3 percent in 1978 to 58.6 percent in 1987. As of the end of 1988, workers' total wages had increased 22 percent over the same period a year earlier, and their bonuses had risen 31.5 percent in the same time. Moreover, in 1987, funds under the control of state factories and local governments that were not a part of the state budget amounted approximately to a walloping 200 billion yuan. See *FBIS-CHI,* Dec. 20, 1988, p. 34 (translated from *Liaowang Overseas Edition,* No. 50, Dec. 12, 1988); and ibid., Dec. 20, 1988, p. 31.

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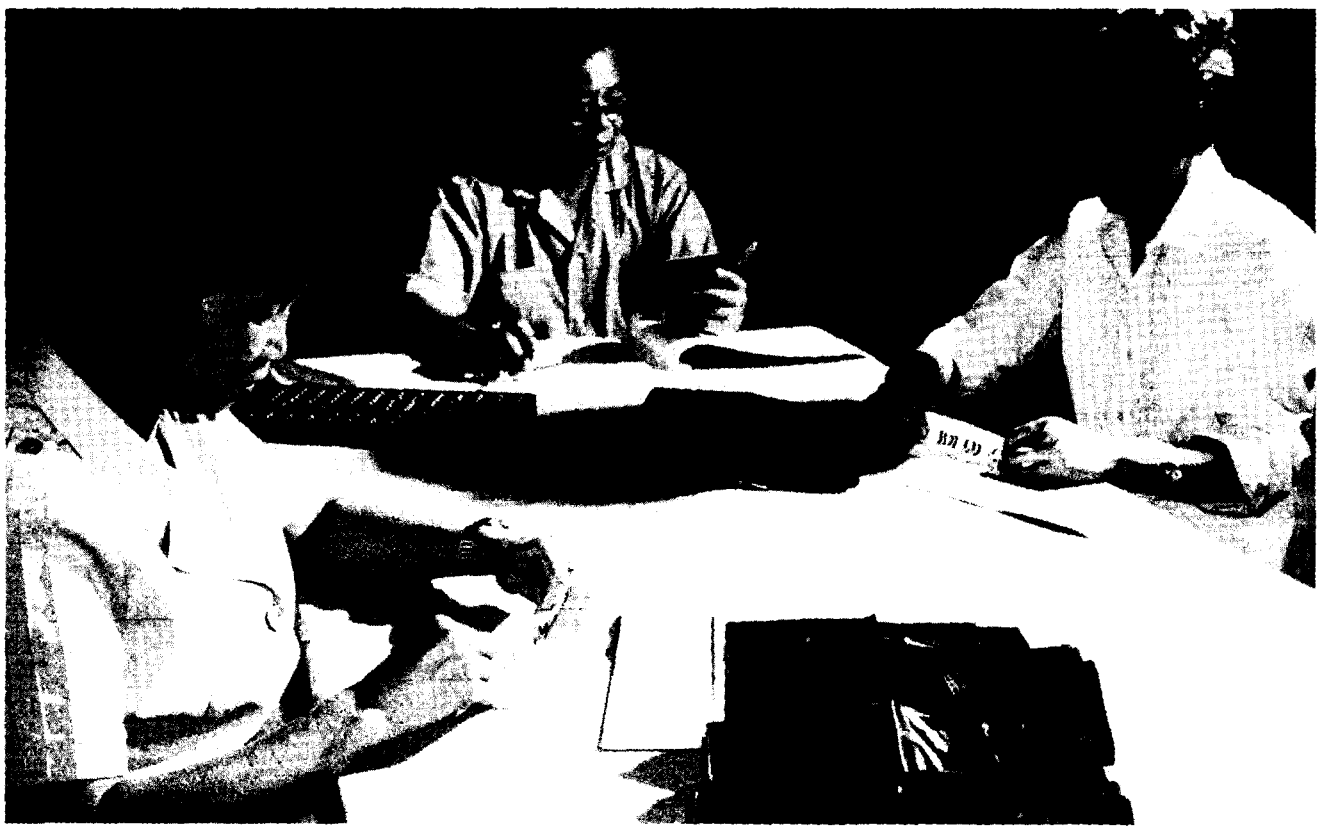

Accountants of the Mingxing Pharmaceutical Factory in Guangzhou—an enterprise that introduced shareholding in 1986—sorting out share certificates.

—Eastfoto.

Deng Xiaoping has been using to justify his reforms for the past several years: a bureaucratically arranged regrouping of state-owned assets.

Saving the State Budget by "Capitalist Measures"

The adoption in still socialist China of a set of measures widely practiced in capitalist contexts—namely, enterprise bankruptcy, enterprise takeovers, and shareholding and stock markets—must be understood as a response to China's critical lack of funds, which has been called "the biggest problem facing China's economic development."[12] For late in the year, when rapidly rising inflation and a new sense of urgency about the deficit caused leaders to halt experiments in price reform, these reforms were allowed to go forward.[13] Designed to correct the scarcity of funds in the national treasury as well as the misallocation of assets in the industrial economy, these reforms address the problem of "backward" firms which waste equipment, energy, capital, land, personnel, and material supplies —"all resources for which many well-managed enterprises are starved.[14] In late 1988, Party General Secretary Zhao Ziyang, one of the chief initiators of the industrial reform program in 1978, placed his justification of these reforms squarely within the framework of saving and even building up the store of capital for the state when he delivered his speech to the Third Plenary Session of the Party's 13th Central Committee:

The public sale in a planned way, and under organized leadership, of the property rights of small state-owned enterprises and the encouragement given to large and medium-sized state-owned enterprises to issue their own stocks will turn a portion of consumption funds into accumulation funds, curtail the rise in market commodity prices, promote the flow of productive factors toward areas with better economic results and optimize the allocation of resources . . . these reforms will never pose a threat to the dominant role of public ownership. On the contrary, they will enable us to

[12] *FBIS-CHI*, July 18, 1988, p. 40.
[13] Ibid., Dec. 27, 1988, p. 39.
[14] See, for instance, two articles among many making this argument in *FBIS-CHI*, Jan. 25, 1988, pp. 27–28 and ibid., Sept. 2, 1988, p. 40.

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make good use of idle funds in society to reduce the state's financial burden.[15]

Clearly, in spite of an enormous mass of journalistic comment and some academic advocacy in China over the past year or so about a revamping of the Chinese ownership system, the official goal in the promotion of these reforms is far more limited. Basically, top leaders simply intend to shift around state assets by eliminating state subsidies to failing firms and to earn new profits from expanding the holdings of the winners. For the time being, there is no privatization of any significance going on. A brief look at the content of these reforms will bear this out.

Bankruptcy. Allowing firms to go bankrupt goes against the grain of the most fundamental assumptions of existing socialist societies: state ownership of productive assets and thus state responsibility for their management and maintenance, and the right of all workers to employment plus provision for their welfare. And yet, in a 1983 study prepared by the Technology and Economics Research Center of the State Council, some economists in China concluded that a bankruptcy law was necessary to purge the economy of technologically obsolete enterprises and allow modernization to get under way.[16] The following year, Cao Siyan, later made chairman of a bankruptcy law drafting task force, published a draft of a law on enterprise bankruptcy in the Chinese journal *Democracy and the Legal System.*

Early in 1985, the northeastern industrial capital of Shenyang issued the first bankruptcy law in post-1949 China in the form of trial provisions for collectively- as opposed to state-owned enterprises within the municipality to apply for bankruptcy. Over the next two years, two national-level drafts followed, accompanied by opinion polls, conferences, and propaganda seminars. In December 1986, the members of the Standing Committee of the National Peoples' Congress finally hammered out a law entitled the "Enterprise Bankruptcy Law of the People's Republic of China (Tentative)" after months of inconclusive debates and disagreements. By the time the law went into effect on November 1, 1988, some 30 foundering firms had already been issued yellow warning cards by the city government, but only a trifling few had actually gone bankrupt.[17]

The law defines an enterprise as bankrupt if "because of a deficit caused by mismanagement, [it] cannot repay debts which are due."[18] This is different, of course, from bankruptcy in capitalist economies where companies simply fail when their owners run out of funds; in China, the state generally subsidizes deficit-ridden firms. The new law, then, essays to differentiate between enterprises suffering losses because of poor management and those whose losses result from state actions, such as state pricing or procurement policies or state allocation of inferior equipment or insufficient supplies.[19] Indeed, some of the literature argues that the actual aim of the law is to prevent enterprise failure by compelling firms in danger of going under to shape up, not to force unprofitable firms to go bankrupt.[20]

Another special feature of this socialist bankruptcy law—one which underlines the continuing dependent status of state-owned firms—is the heavy responsibility placed on the official department (industrial bureau) that is in charge of managing the firm. The law decrees that the officials in that department (in addition to the enterprise's own management) must submit to administrative sanctions if it can be shown that, through departmental interference in enterprise affairs, these officials have had primary responsibility for the firm's losses. In addition, it is the department's leaders that must petition for the right to initiate the two-year reconciliation and reorganization program that the court permits failing firms to undertake. They are also charged with carrying out this program.

A third provision of the law that, again, stamps it as socialist is its attention to the fate of the former employees of the defunct firm. Article Four demands that their basic livelihood needs be met during their time of unemployment. To fulfill these promises, the State Council passed two sets of regulations: (1) "Temporary Regulations On the Adoption of a Contractual Employment System for State-Owned Enterprises," and (2) "Temporary Regulations on Security Provided for Unemployed Former Employees of State-Owned Enterprises."

By mid-1988, in spite of these attempts to adjust standard bankruptcy practice to accommodate socialist sensitivities, the bankruptcy law clearly was not

[15]Ibid., Nov. 17, 1988, p. 27.

[16]The chronology presented draws on Ta-kuang Chang, "The Making of the Chinese Bankruptcy Law: A Study in the Chinese Legislative Process," *Harvard International Law Journal* (Cambridge, MA), Spring 1987, pp. 333–72.

[17]As of November 1987, in the six cities of Shenyang, Wuhan, Chongqing, Taiyuan, Nanchang, and Xian, 28 enterprises had been made "trial points" for the reform; 15 were state-operated firms and 13 were collectives. At that point, only two of these had been declared bankrupt, 22 had already revived after being warned, and four were still undergoing "readjustment." See *Renmin ribao,* Nov. 6, 1987. *FBIS-CHI,* Nov. 4, 1988, p. 44, states that Shenyang city had recently closed down two more enterprises that could not be made profitable.

[18]As translated in Peng Xiaohua, "Characteristics of China's First Bankruptcy Law," *Harvard International Law Journal,* Spring 1987, p. 377.

[19]See Chang, loc. cit., p. 357.

[20]*Guangming ribao* (Beijing), May 2, 1987.

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working as intended. One report referred to a group of over 7,000 firms, which it said amounted to 20 percent of the total number of firms within the state budget, that were experiencing losses and collectively sustaining a debt of 2.6 billion yuan a year.[21] Another mentioned 6,364 state firms which had suffered from economic losses totalling 3.6 billion yuan, an alarming 27 percent increase over the figures for the same period in 1987.[22] A third report counted over 400,000 enterprises (including collectively- as well as state-run firms) running in the red. The report suggested that three quarters of these should be taken over by other firms or declared bankrupt.[23]

One of the problems of relying solely on bankruptcy to solve these financial problems is that obtaining the funds necessary to provide for the social welfare of all the employees who would lose their jobs is virtually impossible. In Shenyang, for example, the city government ordered the 5,000 collective firms under the jurisdiction of its district administrations to pay five percent of their workers' regular wages into relief funds to compensate the retired and jobless workers of bankrupt enterprises. But the city was able to collect only 100,000 yuan a month, just enough to help out a thousand people. Thus, if any more enterprises had gone bankrupt, there would have been no way to handle the unemployed workers.[24]

On a national basis, the staff and workers in losing enterprises have been estimated to number several million. If their firms were all permitted to go under, the housing, rations, social security, and social services for these people, not to mention the work of finding them new jobs, would surely overwhelm the state.[25]

A second problem has grown out of the provision of the bankruptcy law that requires administrative departments to assume responsibility for failing firms. One famous case is that of the Shenyang Anti-Explosion Devices Plant, the first firm to declare bankruptcy in China. It had possessed fixed assets worth 300,000 yuan and debts of 500,000 yuan when it went bankrupt in August 1986. But it died only after eating up more than 200,000 yuan worth of assistance arranged for it by its departmental supervisor during its probation period.[26] The knowledge that such aid—in the form of tax reduction and exemption, low interest loans, and temporary forgiveness of debt repayment—would quickly be proffered by bureaucratic superiors if a firm were declared to be on the brink of bankruptcy has transformed the yellow warning card, meant to be an ominous portent, into a coveted item.[27]

Thus, the effort to devise a bankruptcy law that meets socialist expectations has foundered on its own internal contradictions. Obviously, under its provisions, instituting bankruptcy on a large scale would eventually mean more, not fewer, state budgetary losses. That the experiment seems to be in the midst of quietly being shelved bears out the point that bankruptcy was undertaken primarily for the sake of bolstering the state treasury, and not for enhancing enterprise autonomy.

Enterprise Takeovers. One attempt to solve the dilemma of how to enable the state to rid itself of the burden of foundering firms, without having at the same time to sustain their staff and workers, is the experiment in enterprise takeover, sometimes translated by the Chinese as annexing or merging enterprises. In Wuhan, for instance, where 32 firms were taken over by others, 9,803 workers and 3,719 retired persons were put on the payrooll of the new plant. In one case, the absorption of an electrical machinery equipment factory, in which work had been suspended for nearly four years, into a solvent firm meant that its employees—who had not been paid in two years, and had frequently appeared at the offices of the city government appealing for help—could finally count on their monthly pay.[28] Another story comes from Shenyang, where two collective firms recently failed. When the 26 employees of one of these firms, a chemical plant, threatened a sit-in strike if their plant were declared bankrupt, the city agreed to allow a profitable carpentry machinery firm, which needed extra workshops, to assume responsibility for the chemical plant—its employees, debts, and all. The decision to allow them to merge "achieved a better result" than implementing bankruptcy procedures would have, according to the official Chinese press.[29]

In the Chinese context, mergers of state enterprises amount to the transfer of management power and the right to benefit away from firms in trouble to stronger firms better positioned to use the assets. By the end of 1988, more than 1,800 factories had been merged to

[21] *FBIS-CHI*, July 27, 1988, p. 38.
[22] Ibid., Oct. 25, 1988, p. 35.
[23] Ibid., Aug. 18, 1988, p. 39. I do not know how to reconcile these figures. Probably the larger figure applies to firms both inside and outside the state budget.
[24] Ibid., Nov. 4, 1988, p. 44.
[25] Ibid., Sept. 2, 1988, p. 40.
[26] See *Summary of World Broadcasts* (London), FE/8331/BII/6, Aug. 7, 1986, for the value of the firm's assets and debts; for the figure on assistance see *FBIS-CHI*, Nov. 4, 1988, p. 44.
[27] Ibid.
[28] Liu Xuede, Fan Rubing, and Jiang Aiying, "Enterprise Mergers—A New Road in the Development of Industrial and Commercial Enterprises," *Zhongguo jingji tizhi gaige*, No. 11, 1988, p. 47.
[29] *FBIS-CHI*, Nov. 16, 1988, p. 69.

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form 1,779 new enterprises.[30] According to the press, mergers should resolve the dilemma, noted above, posed by bankruptcy under conditions of state ownership and socialist principles, and at the same time ease the burdens of the state treasury.

According to one commentary, "economists believe that mergers will help avoid the social shocks that would follow bankruptcies." At the same time, mergers should "also pave the way for the further development of profitable enterprises."[31] Vice Minister of the State Commission for Restructuring the Economy, Zhang Yanning, put it rather more bluntly. He admitted that merging enterprises that might otherwise face bankruptcy with profitable firms would help avoid social unrest, the threat of which has always terrorized the Chinese leadership.[32]

Those in favor of mergers emphasize the economic gains that can be realized from them, echoing the same statist bias. They point to the more than 200 billion yuan of fixed assets in the Chinese industrial economy that were lying idle as of late 1988.[33] The noted economist Dong Furen, head of the Institute of Economics at the Chinese Academy of Social Sciences, has advanced the startlingly bold estimate that mergers could help China save in its total investment an amount equivalent to that scheduled for the Seventh Five-Year Plan. For, he reasoned, mergers encourage the more effective use of existing fixed assets.[34] Figures to show that he may be correct are to date hard to come by, at least on a national scale.[35] But in the 13 mergers that took place in the city of Baoding, a balance of 10.3 million yuan was recovered after offsetting the total deficits of merged enterprises with the profits made by the mergers.[36]

Aside from making possible the more effective deployment of assets, mergers can help shore up the state budget in the following ways: directing the flow of state investment into more marketable, even internationally competitive products and industries, thereby raising the returns on investment; allowing stronger concerns to expand production while lowering their costs; furthering an industrial structural arrangement in accord with economies of scale and macro-economic industrial policy and, ideally, slowing down the essentially duplicative investment that has been encouraged by separate localities.[37] On a smaller, but by no means insignificant scale, the responsibility for buying new equipment and reinvesting in the involved firms is shifted from the central financial departments to the stronger and more successful enterprise in the merger.[38] Evidence that mergers strengthen the state treasury is found in the appreciation state banks show for this measure. Loans on which failing enterprises had defaulted in past are finally being repaid.[39]

That the government is heavily involved in this reform is clear from the frequent reports of city leaders "proposing" mergers,[40] or even "forcibly ordering" profit-making enterprises to absorb others that are incurring losses.[41] Critics charge that in extreme cases merging—supposedly part of a "revolution in property rights"—actually amounts to the state using old administrative means to allocate the property of one enterprise to another. Ironically, this is possible precisely because there has been no change in the overall system of ownership.[42]

There is especially strong interest in enterprise takeovers at the municipal level. As an article on Baoding explains, inasmuch as cities are responsible for maintaining and adding to the value of the state's assets, as represented by firms located in their jurisdictions, it is up to the urban governments to guide and coordinate the mergers.[43] In Wuhan such guidance has entailed encouraging the merger of firms through favorable tax and credit policies designed to foster the growth of particular trades, and by inundating the candidates for mergers with relevant information on the potential partners with whom they should connect.[44]

The city's role in mergers became even more crucial after 1984. In the autumn of that year, management of many large-scale firms was delegated to urban administrations and the burden of subsidizing the losses of these firms fell on the cities' budgets. In Wuhan, for in-

[30]Ibid., Dec. 7, 1988, p. 36.
[31]Ibid., p. 37.
[32]Ibid., Nov. 30, 1988, p. 37.
[33]Ibid., Oct. 25, 1988, p. 35. Another source noted that of China's more than 700 billion yuan of fixed assets, one-third of the total was accounted for by business losses and assets lying idle. See ibid., July 18, 1988, p. 40.
[34]Ibid., Jan. 28, 1988, p. 13.
[35]A survey of eight provinces and cities revealed, simply, that of 557 merged enterprises, 405 of the 470 losing enterprises had "already begun making money." Ibid., Oct. 25, 1988, p. 35.
[36]Ibid.
[37]Ibid., Mar. 25, 1988, p. 56; Apr. 7, 1988, p. 27; June 23, 1988, p. 38; and Sept. 29, 1988, p. 55. See also *Renmin ribao*, Oct. 18, 1988, p. 1.
[38]This is the situation at the Shenyang Cable Works, the city's largest tax and profit contributor, which was urged by the municipal government to take over the three failing firms. Author's interview with the manager of the Shenyang Cable Works, July 10, 1988.
[39]Author's interview with Wuhan University Economics Department Professor Wu Xinmu, June 30, 1988.
[40]One report notes that in Baoding city, all of the mergers were proposed by the city's leaders. See *FBIS-CHI*, Apr. 6, 1988, p. 46.
[41]Ibid., Mar. 25, 1988, p. 58.
[42]Ibid., Feb. 29, 1988, p. 31.
[43]Wang Bingyi and Shi Zhishun, "Reflections on Baoding City's Enterprise Mergers," *Jingji guanli* (Beijing), No. 7, 1988, p. 43.
[44]Author's interview with the Municipal Commission for Restructuring the Economic System, June 30, 1988.

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stance, the cost of subsidies to the city's financial administration in 1986 amounted to 4,440,000 yuan; in 1987 it shot up to 20,000,000 yuan.[45] Obviously, it is in the interest of cities to have losing firms annexed; indeed, it can save a city millions of yuan in subsidies.[46] Not surprisingly, mayors have generally supported firm annexation. Zhao Baojiang, the mayor of Wuhan, has reportedly expressed satisfaction with the program in these words:

Enterprise annexation has benefited enterprises, the bank, and the mayor. It will help boost production, pay back debts, and rationalize our social production structure.[47]

Sometimes the rewards to the municipality can be so great that city leaders struggle against the central government on behalf of particularly mammoth mergers. For instance, in Shenyang, local officials courted a cable works plant—already the biggest contributor of taxes and profits in the city—with special "economic levers" to encourage its merger with three smaller firms, in the hope that the merged firm would bring even greater returns to local coffers. This move was opposed by officials in the central government, who, according to the plant's manager, complained that the firm was already too large.[48] The opposition was probably a reflection of the battle between different administrative jurisdictions over those funds that have been rapidly accumulated in recent years by localities and have escaped the reach of central control.

Shareholding. Despite the evident success of the policy to promote mergers in order to save investment and generate new revenue for the state—at both national and local levels—commentators have pointed out that it potentially has an important political pitfall. The problem, as we shall see below, is that it can lead to worker unease. As a consequence, in 1988, shareholding and stock markets began to receive more and more attention as the ideal way to collect capital and at the same time avoid worker discontent.

Shareholding began in post-revolutionary China in Shenyang in 1982, but the selling of shares outside a firm itself did not get under way until 1984, when equity markets were first opened.[49] However, the real turning point occurred in August 1986, when the Shenyang Trust Investment Company sponsored a securities exchange with a national reach. Following this, Shanghai, Beijing, Harbin, and other cities set up fixed sites for the transfer of shares and bonds.[50] By the fall of 1988, nearly 80 cities were said to be engaged in the business of negotiable securities transfer.[51]

Economists favoring the shareholding system hoped that it would, in the words of one of them, "provide the necessary conditions for enterprises to truly operate independently, to assume sole responsibility for their profits and losses, and to exercise self-control."[52] Others saw it as a way of facilitating the flow of funds, absorbing idle capital, distributing risk, and promoting the rational movement of production factors.

Given the current fiscal crisis in China, top politicians seized on this particular reform as the safest way of stabilizing the economy (without upsetting the workers) while maintaining some sense of momentum behind the reform program. They hope to return to promoting reform in a more comprehensive manner, once economic stability has been achieved. The rationale behind the preference for shareholding over other efforts aimed at easing the state's fiscal crisis comes across clearly in the following quotation from an essay by three economists printed in the party newspaper, the *People's Daily*, in the summer of 1988:

In terms of the need for reorganizing production elements and improving the structure, asset unification [i.e., via takeovers] is superior to management unification [via contracting out or leasing firms], but considering people's current mentality and ability to withstand strains, it is not necessary to insist on striving for the unification of assets and it may be more practical to regard the unification of management as a transitional step . . . . Ideologically, only when we admit that some enterprises will "survive" and others "die" or some enterprises will develop and others perish can we support superior enterprises in "swallowing up" inferior ones.[53]

Soliciting investment through the sale of shares to employees or even to the public or by permitting firms

[45]This data comes from Liu, Fan, and Jiang, loc. cit., p. 47. The authors note that these sums are increased by the several million yuan in "loans" that the city's financial administration in recent years has had to hand out to the firms at New Year's time to issue as wages.

[46]*Beijing Review*, Oct. 17–23, 1988, p. 9.

[47]*FBIS-CHI*, Sept. 30, 1988, p. 34.

[48]Author's interview at the Shenyang Cable Works, July 10, 1988.

[49]Author's interview with the Shenyang City Commission for Restructuring the Economic System, July 5, 1988; and *FBIS-CHI*, Sept. 16, 1988, p. 50.

[50]*Renmin ribao*, Sept. 14, 1988, p. 2.

[51]*FBIS-CHI*, Sept. 16, 1988, p. 50.

[52]These are the words of Zhou Shulian, director of the Institute of Industrial Economy of the Chinese Academy of Social Sciences, as reported in ibid., Jan. 3, 1989, p. 53.

[53]*Renmin ribao*, Aug. 12, 1988, p. 5, trans. in *FBIS-CHI*, Aug. 23, 1988, pp. 29 and 30.

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Li Guixian, President of the People's Bank of China.

—Eastfoto.

with surplus funds to buy into other firms is inherently less threatening to employees than a merger because joint stockholding, unlike enterprise merging, does not entail the transfer of asset rights. Shareholding allows the existing structure of the enterprise to remain intact and thus, presumably, protects the jobs of the staff and workers. At the same time, shareholding appeared to be an efficacious way of staving off the state's fiscal crisis. According to the president of the People's Bank of China, Li Guixian:

We can sell a number of enterprises or the stocks of some large state enterprises to reduce state investment and loans and lessen the burdens of the state and the enterprises.[54]

Published figures suggest that shareholding may be changing the shape of the Chinese industrial structure: the total volume of bonds and shares issued reached 90 billion yuan by September 1988. Of this total, however, shares accounted for a mere 2.2 percent, and enterprise bonds, which require repayment of the principal, amounted to 22 percent.[55] Moreover, the majority of the firms selling shares offer them internally to their own employees, rather than putting them on the market.[56] The other types of securities involved include state treasury bonds and bonds for keypoint projects—especially important state-sponsored infrastructure and construction projects funded out of the central governmental budget. Both of these issues are not voluntarily purchased but, rather, are apportioned by fiat by the state.[57] Furthermore, while more than 6,000 medium and small-sized enterprises had offered shares to the public, as of late 1988, only a dozen large enterprises had done so.[58]

The turn to an emphasis on issuing securities had two primary purposes. The first was to accumulate funds for the construction projects designated by the central government, and to relieve the state financial organs and banks from their burden of finding investment funds for all the firms asking for them. The second was to sop up the excess currency in the hands of the population, a function that took on heightened significance as inflation mounted. As people invested in enterprise shares, it was widely assumed that this would "shift social consumption capital to social accumulation capital."[59]

Regardless of the novelty of selling state assets, the primacy of state needs is always stressed when shareholding is discussed. For example, an account in the pro-reform *Economic Daily* categorically states, "China's state enterprises must not be privatized and the adoption of a share-holding system with the predominance of public ownership is by no means privatization."[60] One guarantee against privatization is a governmental stipulation that stocks issued by a state enterprise cannot represent more than 30 percent of the value of its total capital stock.[61] The commitment not to let enterprises become privatized is also reflected in an analysis, cast in the mode of supply-side economics theory, published in the journal *Economic Management*. Its author states that the share system is being implemented in order to invigorate the enter-

[54]*FBIS-CHI*, Aug. 30, 1988, p. 36.
[55]*Renmin ribao* (Beijing), Sept. 14, 1988, p. 2.
[56]Ibid., Nov. 3, 1988, p. 2.
[57]According to a report published in *FBIS-CHI* on Jan. 15, 1988, p. 15, the value of these two types of securities constituted 63 percent of the total value of stocks and bonds issued nationally as of that date.
[58]*FBIS-CHI*, Oct. 21, 1988, p. 26.
[59]These arguments can be found in *Renmin ribao*, July 3, 1988, p. 2; Sept. 14, 1988, p. 2; and Sept. 26, 1988, p. 1. See also *FBIS-CHI*, Aug. 30, 1988, p. 36, and Oct. 21, 1988, p. 26.
[60]*Jingji ribao*, Oct. 19, 1988, trans. in *FBIS-CHI*, Oct. 21, 1988, p. 26.
[61]As reported in *Beijing Review*, Oct. 5, 1987, p. 22.

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prises and, he reasons, as this occurs, the state will be able to collect more revenues from them.[62]

In a number of crucial ways, shareholding in socialist, state-owned China can be distinguished from the institution that goes by that name in capitalist economies, just as "bankruptcy" in China differs from what is meant by that term in capitalist states. Most fundamentally, the Chinese concept of the "enterprise share" does not exist in capitalist economies. The effort—which is linked to this concept—to define just what portion of the firm's assets separately belong to the (state-owned) firm as distinguished from that amorphous entity, the state itself, has resulted in endless debate.[63]

Another serious point of difference between shareholding in China and in capitalist economies is that in China, even stock dividend rates are determined in advance and the interest on dividends is covered in the firm's production costs. As a result, the shareholder bears no risk. Also, the claim in the press that the shareholders' selection of a board of directors to manage the enterprise eliminates governmental interference in the affairs of the firm[64] is often not borne out in practice. For instance, one candid report admits that although local financial departments are entrusted with representing the state's shares in a firm, these organs turn around and delegate the task to the enterprise's own management bureau. This practice, in effect, serves to reinstate

[62]Xiang Dong, "Smooth out Distribution and Relationships in the Assets of Share-System Enterprises," *Jingji guanli*, No. 7, 1988, p. 34.

[63]See, for instance, *FBIS-CHI*, June 23, 1988, p. 42; and *Beijing Review*, Oct. 5, 1987, p. 22.

[64]This claim appears, for example, in *Renmin ribao*, Aug. 23, 1988, p. 1; Oct. 24, 1988, p. 2; and Nov. 3, 1988, p. 2.

Workers assembling a vehicle at the famous Jinbei (Gold Cup) Automobile Joint Stock Company, Limited.

—The New York Times.

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the old management system, despite the fact that the firm is drawing investment funds from new sources.[65]

Clearly, the efforts to create a stockholding system in China are still very preliminary. In an interview last summer in Shenyang, where the whole experiment began, members of the city's Commission for Restructuring the Economic System frankly acknowledged that there was no change in the old relationship between enterprises employing the share system and their original management departments.[66] Even at the famous Jinbei (Gold Cup) Automobile Joint Stock Company, Limited, the first large industrial enterprise in the country to turn all its assets into shares for sale to the public,[67] an official explained that the company's production was still dictated by a three-year contract with the City Economic and Planning Commission. Indeed, the content of this contract closely resembles the company's old state plan, replete as it is with targets for product varieties and quality that are fixed for the term of the contract.[68]

It has been noted that China lacks many of the preconditions for a genuine stock market, including an enterprise's ability to operate truly independently, a stable taxation system, and a well-developed financial market. Belying the publicized statistics, Chinese sources have acknowledged that of the 36 enterprises selected to try out the joint-stock system in Sichuan province in early 1988, seven withdrew from the experiment by the end of the year, a dozen were still engaged in "marathon" negotiations with the city government a year later, and another dozen had their plans for implementation approved only at year's end.[69]

One last, but very common problem is that many firms use the share system as a means of providing extra welfare supplements or bonuses to their own workers. As economist Dong Furen explained: "They underrate state-owned assets and fix the dividends and bonuses. After that, they distribute the shares among workers and staff members."[70] In effect, then, selling shares only increases the pressure of consumption funds on the market—the very problem this reform was expressly intended to alleviate.[71] Indeed, by early March 1989, official reports suddenly called for a slowdown in the extension of this reform, for this very reason.[72]

In the main, then, much skepticism must attend the analysis of capitalist-like reforms in the Chinese urban economy. Nonetheless, isolated data do indicate that in some ways they may be initiating a certain, if very incipient, alteration in the shape of the Chinese economy. In the city of Qingdao, for instance, some sort of bankruptcy caused 10,800 workers to lose their jobs after 500 of the municipality's firms were reorganized; in Shanghai, 30,000 workers were "made redundant" in 1988 and were said to be living on social security. There are similar, scattered reports from other places in the country.[73]

As for mergers, some may be occurring without any pressure from the bureaucracy. In Wuhan, officials from the Municipal Commission for the Restructuring of the Economic System claimed that "there are some mergers we don't even know about until they are done."[74] And, in the case of the share system, enterprise bonds sold to staff and corporate investors can be freely traded,[75] even if conditions are not yet ripe for the creation of companies specializing in the transfer of stock ownership.[76] In addition, the tiny stock market of Shanghai actually bears a stock index that fluctuates.[77]

It is important to keep in mind, however, the intention behind the current promotion of these reforms by the top leadership. The justifications that are being offered for their use, as well as the effort to contain their application, all bespeak a continuing statist orientation.

Mediation of Marketing Through State Bureaucracies

I have indicated above how "capitalist measures" are netting new income for the state treasury. Not only do bankruptcies and mergers make it possible for governmental budgets to cut back on the disbursement of subsidies to failing firms, thus permitting savings for the state treasury at both central and local levels; they also generate new funds through the larger profits and extra sales from the better products that mergers and stock solicitation make possible. These same measures, moreover, strengthen the already successful and well-endowed state enterprises by letting them take over the assets of the weaker enterprises and by permitting

[65] *Beijing Review*, Oct. 5, 1987, p. 22.
[66] Author's interview, July 5, 1988.
[67] *Renmin ribao*, Aug. 5, 1988, p. 1.
[68] Author's interview, July 11, 1988.
[69] *Jingji ribao*, Nov. 30, 1988, trans. in *FBIS-CHI*, Jan. 6, 1989, p. 32.
[70] *Renmin ribao*, Dec. 12, 1988, p. 5, trans. in *FBIS-CHI*, Dec. 30, 1988, p. 32.
[71] This is reminiscent of the dilemma noted above in which caring for workers dismissed from bankrupt firms increases rather than lessens the state's financial burden, thereby achieving just the opposite of what the reform was intended to accomplish.
[72] Ellen Salem, "Peking Ducks the Issue," *Far Eastern Economic Review*, March 9, 1989, p. 72; *FBIS-CHI*, Feb. 22, 1988, pp. 15–16.
[73] *FBIS-CHI*, Sept. 14, 1988, p. 36, and Sept. 28, 1988, pp. 52–53.
[74] Author's interview, June 30, 1988. On the other hand, it is quite possible that those mergers were arranged by the firms' industrial bureaus and not by the enterprises themselves.
[75] *FBIS-CHI*, Jan. 15, 1988, p. 15.
[76] Ibid., Aug. 19, 1988, p. 46.
[77] Nicholas D. Kristof, "Selling China on a 'Public' Privatization," *The New York Times*, Jan. 8, 1989.

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them to absorb new funds as they turn their own assets into shares.[78]

These "capitalist measures" and related market-like reforms are enhancing the power of the state-run economy in yet one more way: they bestow new functions on its old bureaucracies, and they encourage the design of new public agencies to serve as intermediaries and expediters both between the state enterprises and in their service as the enterprises venture into new arenas. Like local brokers in eighteenth-century China, the middlemen working in state agencies manage the new regroupings and novel modes of exchange that make up the reforms by providing information, advice, and emergency assistance; by locating customers; by guaranteeing credit; and by reducing risk.[79]

Since organizational restructuring is being built on the foundation of prior bureaucratic power, those who assume the existence of bureaucratic opposition to reform may not have analyzed the situation closely enough.[80] Certain old bureaucracies, most notably the material supply bureaus and industrial companies, have taken on new roles in the changing environment. In addition, an array of new state-directed agencies have recently been established to enforce the various reforms. There now exist property transfer markets for arranging mergers; city offices for overseeing enterprises under threat of bankruptcy; management stations for bidding on construction projects; trade associations; trust investment companies; and vast and intricate networks of local bureaucracies which shape the new horizontally-articulated economic cooperation regions.

Material supply bureaus. In late 1988, official statistics revealed that in the first three quarters of the year, 73 percent of the sales volume in the goods and materials system had been contributed by sources not included in the state plan.[81] Not only does this indicate that a great deal of marketing is going on outside the scope of the planning system, it also shows that the material supply bureaucracy, formerly located at the hub of the command economy, remains heavily involved in transactions in the industrial sector even though these transactions are not laid out in advance in the central government's plans.

There are scattered reports of individual cities installing officially approved material exchange markets.[82] These markets can corner, or at least heavily influence, the trade in raw materials that goes on outside the state plan.[83] Interviews in Wuhan revealed that the steel market in that city operates under the supervision of the city's Material Supply Bureau. The bureau has, however, set up a new company to do this job.[84] Since the cadres in the new company earn commissions for their work, they should in no way feel undermined by the market reforms—and presumably the same situation obtains elsewhere.[85]

[78]Large enterprises have been favored over the years and especially recently in that they have been granted the right to import equipment and technology at or near internationally progressive levels. For instance, the 153 large and medium enterprises in Wuhan, whose fixed assets equal 73.6 percent of the assets in the more than 3,000 industrial firms in the city, had a total of 537 computers in early 1987, and many of them used automatic production lines. In these enterprises there are seven engineers and other specialists for every 100 staff members and workers; in the small plants there are only two per 100 on the average. See Zhang Dingfang, "A Preliminary Analysis of the Technical Progress in Wuhan City's Large and Medium-Scale Industrial Enterprises," *Zhongnan caijing daxue xuebao* (Wuhan), May 1987, p. 83.

[79]See Susan Mann, *Local Merchants and the Chinese Bureaucracy, 1750–1950*, Stanford, CA, Stanford University Press, 1987, p. 63, and *idem.*, "Brokers as Entrepreneurs in Presocialist China," *Comparative Studies in Society and History* (Cambridge, England), Vol. 26, No. 4, 1984, p. 626, for a description of the roles brokers played in pre-1949 China.

[80]For instance, see Marshall I. Goldman and Merle Goldman, "Soviet and Chinese Economic Reform," *Foreign Affairs* (New York), Vol. 66, No. 3, 1988, which states on p. 558 that "China's urban and industrial reforms have encountered more ideological and bureaucratic resistance than the rural reforms. As opposed to the party cadres in the countryside, who benefited from the reforms . . . the party cadres in the urban industries gain little. If anything, they are likely to lose power . . . ," and on p. 559, ". . . party resistance in China today comes more from inertia and opposition at the individual enterprise and local levels."

[81]See *Renmin ribao*, Dec. 1, 1988, p. 2, trans. in *FBIS-CHI*, Dec. 8, 1988, p. 55.

[82]For the background on the Shanghai municipal materials exchange market and its mode of operation, see William Byrd, "The Shanghai Market for the Means of Production: A Case Study of Reform in China's Material Supply System," *Comparative Economic Studies* (Tempe, AZ), Winter 1985, pp. 1–29. Byrd states that the first such markets appeared in 1979; by 1981, there were already 64 of them across the nation, dealing in a range of materials.

[83]Suzhou's exchange market was reportedly handling 40 percent of the extra-plan trade as of mid-1988, according to *Renmin ribao*, Aug. 30, 1988, p. 2; Beijing's was charged with locating materials for firms in need, and with buying up their unwanted stocks and finding outlets for them. It also was allowed to engage in business on a commission basis for township enterprises outside the city. Ibid., Jan. 3, 1989, p. 2. In Shenyang, a nationally famous materials trade center is directing massive and complicated barter deals among large firms in major industrial cities. For example, in exchange for a loan of funds, the Anyang Steel Company sold its surplus steel to the center, which traded it to Hubei's No. 2 Automobile Company, in exchange for cars not procured by the planners. Author's interview at the trade center, July 8, 1988. There is a report on this center in *Shenyang ribao*, June 8, 1988, p. 1. The manager, Dong Shijie, also published an article on his center entitled, "Seek to Go Forward in Reform," in *Jingji guanli*, No. 6, 1987, pp. 40–41. See also Feng Xuesong, "Seek Results in Union," in ibid., pp. 42–44.

[84]Author's interviews with the City Commission for Restructuring the Economic System, June 22, 1987, and June 30, 1988, and at the Wuhan General Machinery Plant, June 24, 1987.

[85]Officially approved material exchange markets are especially active in serving the smaller firms; the larger firms continue to deal directly with the same stable supplier with whom they trafficked under the state plan. Author's interview with Wuhan's Commission for Restructuring the Economic System, June 30, 1988, and with the No. 3 Machine Tools Factory of Shenyang, July 9, 1988. According to management at the machine tools plant, the same small firms that used to go to the material supply bureau now go to the material exchange markets in the city, underlining the continuity between organs.

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In Changchun in the northeast, the material supply bureaus are actually *supposed to* "pull strings" for the firms under their supervision to guarantee the stable economic development of their corporate manager, the city government. The bureaus have enjoyed expanded profits from the heightened sales activity: in 1987, the increase was over 20 percent. The bureau's brokering saves the firms from searches: "If only the material supply bureaus find sources for supplies, we needn't go outside [the city] to procure," a local paper quotes "many enterprise" personnel as avowing.[86]

In the past few years, the press has with increasing frequency accused personnel in the material supply bureaus of using their control over scarce supplies to engage in profiteering.[87] The year 1988 saw repeated, and apparently vain, official efforts to counter this abuse of power.[88] The various regulations instituted to correct the problem pointed to arbitrary fee collections, to the practice of raising prices at every level up the administrative hierarchy, and to the cadres' habit of forming "relationship networks" through which they trade favors to benefit relatives and acquaintances. A colorful article in the *People's Daily* in the fall of 1988 alleged: "The worst offenders in the illegal sales of the means of production are the various levels of state material supply bureaus and the work units underneath them."[89]

Thus, material supply bureaus, through their long-term participation in well-established exchange networks under the reign of the state plan—with all the information and personal connections that this participation afforded—and through their command over supplies are excellently situated to profit from the reforms. Obviously this arm of the bureaucracy has no quarrel with the new measures.

Industrial companies. The industrial bureaus that manage production and sales in particular trades in the urban economies are subdivided into specialized industrial companies that, in turn, are responsible for directing individual firms. Like the material supply bureaus, rather than losing power in the reforms, many of these agencies are benefiting handsomely. According to the tenets of the reform program, they are now operating as business enterprises, instead of as administrative offices.

Accordingly, their officials interpose themselves between their own firms and "the market." By relying on their original suppliers and procurers, they are becoming wholesale salesmen and sources of market information. Since they—like the Soviet *tolkachi*—played a similar role in the days when the generally inaccurate state plans left firms in need of extra scouting, the companies' cadres can utilize long-standing relationships and buy cheaply in large quantity. Then, drawing profits from price differentials and from taking fees in exchange for information, cadres in the companies can garner incomes that are greater than ever before. It is the small firms (ironically enough, those often labeled most lively in the reform era), which become their captives, because they have fewer personnel to spare, more frequently shifting product structures, and a need for smaller and less fixed quantities of supplies.[90]

New Bureaucratic Organs

In the two examples above, it is clear that material supply bureaus and industrial companies have simply widened the arena of their wonted activities and, because of new policies, have earned new recompense in the reform era. But in the course of implementing other economic reforms, old offices have been regrouped, or, in some instances, brand-new ones have been fashioned in an effort to guide the course of the experiments.

Property rights markets. For instance, in early 1988, Wuhan was the first city to create a property rights market. But that "market" seems in reality to be more like a substation of the city government. In March of that year, the city government formulated the policies that were to guide that market's activities. In the next month it issued a document entitled "Provisional Ideas of the City Government on Realizing the Rational Transfer of Property Rights Through Encouraging Enterprise Mergers" along with an "Implementation Program for the Wuhan

[86]*Dongbei jingjibao*, Mar. 22, 1988, p. 1.

[87]Party Politburo member Yao Yilin advocated strict measures for dealing with "excessive intermediate links and profiteering in materials circulation . . . . The problem is not caused by small businessmen and traders, nor by speculators," he averred. "It is linked to corrupt phenomena inside the party and [obviously referring to the material supply bureaus] to the many enterprises which are essentially the production and commercial organs of the party and government organs." Trans. in *FBIS-CHI*, June 9, 1988, p. 33.

[88]See "Temporary Management Methods for the National Unified Highest Price Limit for Extra-Plan Means of Production," in *Zhonghua renmin gongheguo guowuyuan gongbao*, (Beijing), Jan. 30, 1988, pp. 10–12. Also, *Renmin ribao*, Nov. 2, 1988, p. 1, carried the news that the State Council had decided to strengthen the management over the trade in steel products; *Renmin ribao*, Nov. 5, 1988, p. 1, reported that the Ministry of Materials Supply had promulgated ten measures to correct the situation.

[89]*Renmin ribao*, Oct. 8, 1988, p. 1. One of the examples in the article shows how vehicles costing 115,000 yuan (about US $32,200), which should have had a fixed price, finally sold for 152,000 yuan after passing through four different materials service companies and trade centers. In another case, a certain factory in Wuhan colluded with the Hubei provincial metal materials company and, by falsifying accounts, netted over 220,000 yuan in illegal income.

[90]Author's interview, July 1, 1988.

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City Enterprise Merger Market." These rulings spelled out the principles of exchange and the organs that would guide the market.[91] The city government's involvement was said to lead to "greater initiatives in and an obvious strengthening of the mergers." Also, in a third of the cases, both of the firms in the pair being merged were managed by the same industrial bureau; and the bureau served as the intermediary that encouraged the merger.[92]

In other cities, where special markets had not yet been established, enterprise takeovers were "mostly organized [directly] through the competent government department acting as a go-between." The purpose has often been to ensure that the localities fulfill their urban *guihua*, which specify a long-range direction for development, a sort of municipal mini-industrial policy. Thus mergers serve to focus urban investment on high-priority industries and products and to help cities readjust their productive forces to suit their own natural resource endowments.[93]

Enterprise bankruptcy offices. In the cities that have experimented with enterprise bankruptcies, such as Shenyang, the city government has installed a new office expressly to handle the bankruptcies. Its function is to arrange tax reduction and exemption, as well as low-interest loans from banks and insurance companies, and to permit the temporary suspension of debt-payments by firms warned of imminent bankruptcy.[94] A high official from the Enterprise Bankruptcy Office of the Shenyang city government proudly recounted how hard his office had worked to rescue the nationally notorious Hardware Casting Factory, which had been tagged as on the brink of bankruptcy in August 1985. It was fully recovered two years later.[95]

In addition to the kinds of assistance noted in the press, the Enterprise Bankruptcy Office quietly provided a wide array of other services to the Hardware Casting Factory. Staff members drew on a special "bankruptcy fund" to provide a temporary loan. They also arranged for publicity for the firm, which prompted a research and design academy in Beijing to develop new products for the plant to produce. They then followed up by helping the factory's management to obtain permits for new product development, forestalling likely interference and opposition from the tax, industry, and commercial management departments. Finally, and perhaps most crucially, they were able, as an office just under the city government, to procure for the factory key raw materials that it would have found impossible to acquire on its own from producers or suppliers.

Most of this behind-the-scenes relief extended by the bankruptcy office was not covered in the press accounts of the rescue, allowing the factory to stand as an example of the self-reliance that a firm could muster to revive itself. The manager of the Hardware Casting Factory was able to claim that the fortunes of the factory were reversed just by "breaking the iron rice bowl." In this case the phrase referred to the manager forcing individual workers to bear the responsibility—in deductions from or bonuses added onto their wages—for the profits and losses of their workshops.[96]

The intention behind the bankruptcy office's creation—but also behind keeping its work out of the limelight—fits the purpose of experimenting with bankruptcy in the first place. As one analyst of the bankruptcy law noted:

The original idea [of experimenting with bankruptcy], as illustrated in the many press articles on warned enterprises that have returned miraculously to profit, seemed to have been that the warning would so galvanize the workers of the enterprise that they would be able to reverse the losses within one year.[97]

Bidding market management offices. Another market reform aimed at breaking down the rigidity of the command economy is the use of bidding in construction work, instead of relying on specific bureaucratic units to assign supply equipment to specific projects. In Shenyang, where the first nationwide construction project bidding market was set up, the city government instituted a "bidding market management office." This

[91]*FBIS-CHI*, Oct. 6, 1988, p. 26.

[92]Ibid., Dec. 7, 1988, p. 37.

[93]See *Renmin ribao*, Aug. 12, 1988, trans. in *FBIS-CHI*, Aug. 23, 1988, p. 27; and *Renmin ribao*, June 6, 1988, p. 5, trans. in *FBIS-CHI*, June 23, 1988, p. 38. Fuxin city encouraged its more progressive firms to take over failing firms by using favorable credit and tax policies, as reported in *Dongbei jingjibao*, May 10, 1988, p. 1; the same paper on April 19, 1988, p. 1, stated that Dalian city's government was acting as a go-between to plan the mergers that would contribute to a rearrangement of the city's industrial structure. In Shanghai, according to *FBIS-CHI*, Sept. 29, 1988, p. 55, the leading organ for economic restructuring was studying the city's economy and planning future mergers. Nanjing's municipal administration was urging its firms to link their own short-term interest to the city's long-term development interest, under the guidance of the leading departments in the city. See *Renmin ribao*, Oct. 18, 1988, p. 1. The article on Nanjing mentions the city's *guihua*, as did a number of interviewees in Wuhan in June/July 1988.

[94]*FBIS-CHI*, Nov. 4, 1988, p. 44.

[95]Author's interview, July 12, 1988.

[96]In an interview at the plant itself, on July 12, 1988, the manager accounted for her successes mainly by referring to the successful implementation of a contracting system "down to the individual level." In fact, a total of only two people were fired in the course of this process! Upon inquiry, she did admit to some of the forms of assistance mentioned by the city bankruptcy office official, but in less detail.

[97]Chang, loc. cit., p. 358.

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body, conveniently placed within the old bureaucracy, is under the city's bureau of construction work. It is responsible for managing the bidding, in which all capital construction and renovation projects that were written into state plans (at any level), are on a scale surpassing 2,000 square meters, and have a price-tag above 300,000 yuan must engage.[98] Again, an innovation has been brought under state control.

Trade associations. Trade associations have been organized in many cities to act as a "bridge between the people and the government," in the words of a local economic planner in Wuhan, where there were some 20 to 30 of these new associations by mid-1988.[99] Their job includes providing the enterprises in a given trade with information and help. But their chief function is to see to it that the various firms in the line of industry under their purview play their part in helping to realize the city government's *guihua*. In most cases, the urban administration hopes to use these associations to push trades to develop along the lines city planners have worked out. For particularly important trades, the associations actually have some clout, according to the head of the national association for cable-manufacturing enterprises.[100] This is generally not true for the less important trades. For example, disgruntled members of the Wuhan lamps and lanterns association were so disaffected that they did not even bother to pay their dues for a year.[101]

Trust investment companies. Yet another state-managed innovation which, like the bidding office, was meant to shore up the old command economy, is the Shenyang Trust Investment Company, established in 1985. The industrial bureaus of Shenyang enlist this body both to invest their surplus capital and to provide them with capital when they need it to complete technical transformation projects provided for within the city's annual economic plan. The company's purpose, as outlined by one of its officials, is to help to realize the city's *guihua*.[102] Most big cities now have an organ of this kind.

Economic and technical cooperation committees. Probably the most fascinating of the bureaucratic arrangements devised to monitor and encourage the new markets can be found in the economic and technical cooperation committees that most municipalities now maintain. The function of these organs, established in the mid-1980's, is to sponsor and further economic and technological exchanges among firms across the administrative and geographical boundaries that delineated the flow of goods, services, and materials under the state planning system. Not only the city itself, but every administrative unit down to the county level has an agency of this sort. These agencies are responsible for ensuring that the transactions of local firms execute that area's *guihua*. This they do by using the usual preferential policies—loans, taxes, subsidies—to coordinate particular exchanges; by bringing firms together to negotiate over terms; and by supplying them with relevant market information once their union is achieved.

Especially interesting is the background of the 30-some person staff of the Economic and Technical Cooperation Committee in Wuhan. All the staff members previously worked in the area of material exchange, and they thus are quite familiar with the situations and products of the enterprises in the city. Some were employees of the city's Material Supply Bureau while others were agents delegated by the city government (planning or economic commissions, or the city government's office) to get market information to supplement planned supplies.[103]

At the city level, the committee is enmeshed in a complicated set of networks at least as bureaucratic as the one that supported the command economy this committee is meant to replace. First of all, its members report on their work to Hubei province, where a similar committee presides over exchanges at the province level.[104] Then, along with Jiangxi and Hunan provinces, Hubei forms an economic cooperation region whose center is Wuhan. The mayors of the 10 major cities of the three provinces meet periodically in a liaison committee. There is also a working committee composed of the economic and technological cooperation committees from these 10 cities and those from the seven districts in the region; their staff meets once every three months. An officer under that committee performs the daily work of the liaison and the working committees.

Another working network consists of the chairmen of the economic commissions in each of the 17 member areas of the economic cooperation region. Each of the 17 areas also delegates the heads of its science and technology committee, its industrial bureaus, its agricultural commission, its commercial commission, its

[98] *Shenyang ribao*, June 23, 1988, p. 2.

[99] Author's interview, July 1, 1988.

[100] The manager of the Shenyang Cable Works revealed that his association's remonstrations to the State Economic Commisssion forced an increase in the price of the association's products so that it covered the costs of the needed raw materials. Author's interview, July 10, 1988.

[101] Wang Haisu, "Preliminary Exploration of Wuhan's Industrial System's Reform and Improvement of its Structure," *Zhongnan caijing daxue xuebao*, No. 2, 1987, p. 46.

[102] Author's interview, July 7, 1988.

[103] Information supplied by member of the Mayor's Consultative Committee, July 1, 1987.

[104] Author's interview with the City Commission on the Reform of the Economic System, June 22, 1987.

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branch of the state bank, and of its propaganda and news system to form work and informational networks.[105]

As each of these networks passes along information on the projects and the production structure in its area, it essays to satisfy the needs of its own *guihua* through a horizontal—as opposed to the hierarchically-ordered vertical—exchange of the planned economy. "Help from the leadership can't be avoided . . . information is hard to come by . . . and the enterprises don't know where the supplies are, or where there is technical ability," explained a Wuhan economist.[106] In the midst of so much new bureaucracy, it is clear that the state is holding its own.

Conclusion

All of the above indicates that the Chinese approach to economic reform has a strongly statist organizational component. In the leadership's effort to keep control of unplanned transactions, it is relying on old organs whose cadres know the market, and "creating" so-called new offices, which in fact, are offices that have simply emerged, without significant metamorphosis, from the units that made up the original state-run bureaucracy and directed the planned economy. In the process, the leadership is further empowering the public side of business, rather than "separating the government from the enterprise" as it claims it wishes to do.

The economist Dong Furen recently cited an old Chinese saying that neatly conveys a key message of this article: "Things turn out differently in different localities or surroundings." Dong went on to say:

While transplanting the successful foreign market experience, we should avoid losing the shape of our reform. Apart from considering the practical conditions of China, we must also pay attention to the soil needed for the transplantation, so that the plant we are transplanting can take root in proper soil.[107]

His point is the same as a strand of my argument here, namely, the capitalistic measures being injected into, or perhaps more accurately, overlaid on top of the administratively planned, state-owned economy in China are more apt at this stage to take on the features of that old system than to remodel it. They are more likely to be forced to adapt to the state's own fiscal needs and purposes—and to be installed and supervised by its offices—than to assert their own form.

To recapitulate, three central aspects of the post-1978 economic reforms—the connection with the world economy and the demands for foreign exchange that accompanied it; the consumer revolution initiated to right injustices from Maoist days and to offer incentives for greater individual productivity; and the programs of decentralizing decision-making power, funds, and supplies so as to stimulate growth—had cost the state dear by the end of a decade, pumping up prices and dumping deficits onto the central treasury. In response, by late 1988, the top leadership had decided to promote more energetically a set of market-style innovations (most of which were under way at least since 1985)—stock markets and shareholding, enterprise bankruptcies, mergers, raw materials markets, horizontal exchanges—not for the sake of privatization, but in a stab at budgetary savings and economic stability. Ironically, "capitalistic" practices are being attempted in the hope of regaining macrocontrols at the central level.

Moreover, in a further irony, as the central state budget sheds responsibilities—by encouraging firms to invest in each other or to buy each other out—state assets and "market" power are becoming more concentrated than ever in the best and biggest state enterprises, through the operation of policies that intentionally favor the fittest. Additional increments of power are also flowing to state-run bureaucratic offices, such as the material supply bureaus, since they are charged with supervising the disposal of surplus supplies being traded outside the plan.

Thus, even as bureaucratic brokers take advantage of their location at the crucial middle links in the transactions channels, and even as the clout of local administrations increases, even to the point of eclipsing that of the center, it is still "the state"—its offices and its officials— that wins. In large part this is the case because real prices that would truly reflect cost and scarcity do not prevail in the Chinese "market." In addition, information is hard to come by and tends to be the monopoly of state cadres. Until these two conditions have been radically altered, and until—if ever—the political leadership at the top can make a genuine commitment to revamping property relations in the industrial system, the recent economic reforms may continue to permit a flourishing of exchange, but they certainly will not drastically restructure the Chinese economy.

[105]Information supplied by the Wuhan city Economic and Technological Cooperation Committee, June 28, 1988.

[106]Author's interview, July 2, 1988.

[107]*Renmin ribao*, Dec. 12, 1988, p. 5, trans. in *FBIS-CHI*, Dec. 30, 1988, p. 33.

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Power to the Soviets?

Jeffrey W. Hahn

AS general secretary, Mikhail Gorbachev was quick to propose a major "restructuring" (*perestroyka*) of the Soviet system. At the April 1985 plenum of the Central Committee of the Communist Party of the Soviet Union (CPSU), and then at the 27th CPSU Congress in early 1986, he tabled a dazzling program of reforms ranging from civil rights and *glasnost'* to the anti-alcoholism campaign and economic self-sufficiency for enterprises. Like the early Bolsheviks, Gorbachev seemed so certain of the rectitude of his views that he expected no resistance. Yet by the beginning of 1988, it had become clear to him that although a number of measures had already been adopted, the reconstruction of Soviet society was falling far short of his goals. And after the economic reforms had been approved, it became evident that their successful implementation depended on the introduction of a program of political reforms as well.

The General Secretary addressed these matters in a speech to the Central Committee on February 18, 1988, in which he expressed impatience with the pace of reform, attacked those in state and party administration who refused to accept change, and called for acceleration of the "process of democratization." He also explicitly called for political reform:

Comrades! Our economic reforms, the development of the processes of democracy, the renewal of the spiritual-moral sphere, that is, everything connected with the concept of revolutionary restructuring—all are links of a single chain. They are closely interrelated and interdependent, and it is necessary that if you begin to restructure one of them, then you must continue with the others. . . . Therefore, it is fully natural, and, I would say, logical to turn to the necessary restructuring of our political system.

Looking ahead to the 19th Party Conference in June 1988, Gorbachev defined political reform as that gathering's top priority, and singled out the soviets for particular attention:

Above all, discussion should proceed about how to raise the role of the soviets as the core of the political system of our society, as its governmental embodiment. It is precisely here, in the formation and the functioning of the soviets, that we must first realize the democratic principles of socialism.[1]

The soviets might have seemed an unlikely focus of political reform. Although, in theory, deputies elected to these legislative councils by all Soviet citizens choose the members of the executive and administrative departments and hold them accountable, in reality it is the administrators who have dominated the deputies. Over the years, the authority of the deputies has been largely reduced to ritualistic ratification of decisions that have already been prepared in advance by members of the state and party apparatuses. Virtually all decisions are taken unanimously, and what little participation by deputies does take place is carefully choreographed by the organizational-instructional department of the local so-

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[1]The Report of CC CPSU General Secretary M. S. Gorbachev "On Revolutionary *Perestroyka*—The Ideology of Renewal," in *Materialy plenuma TsK KPSS, 18 fev. 1988* (Materials of the CPSU Central Committee Plenum, Feb. 18, 1988, Moscow, Politizdat, 1988, pp. 31–32.

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viet's executive committee.[2] Not surprisingly, this has led to a lack of public respect for the representative institutions of government.[3] At the 19th Party Conference, Georgiy Arbatov depicted the soviets as "well-worn house slippers" for the bureaucrats.[4]

Yet, the choice of the soviets as the focus of political reform makes sense if one bears in mind that it is in the administration of government from top to bottom that bureaucratic resistance to *perestroyka* is rooted. Even the party has become the handmaiden of the bureaucrats through interlocking membership and control of personnel; as Gorbachev told the 19th Party Conference: "The soviets, and in many ways the party agencies as well, have proved unable to control the pressure of departmental interests."[5] Change threatens these interests. In order to make administrators work for, not against, the implementation of his policies, Gorbachev seeks to cut through this system and reassert the authority of the legislative representatives over the bureaucracy. Indeed, one could argue that in placing reform of government at the top of the agenda, Gorbachev and his colleagues were moved not so much by commitment to democracy, at least in the short run, as by the wish to replace those members of the state bureaucracy and party apparatus who oppose *perestroyka* with those who favor it.

Below, I shall examine four areas where changes have been proposed: electoral procedures; the relationship between the executive personnel and the deputies of soviets; the role of the party in the soviets; and the economic power of the soviets. I shall conclude with an assessment of the problems that will have to be overcome if the reforms are to work.

The reader should bear in mind that several important issues related to the reform of local government lie outside the scope of the present work. These include parliamentary reform at the federal level,[6] electoral and other procedural changes within the CPSU, democracy in the workplace,[7] and forms of citizen participation other than through elections.

Electoral Reform

Prior to the limited experiment in the local elections of June 1987, there had been virtually no element of competition in the election of deputies to the soviets. The system of elections was, in the words of one recent Soviet critic, one of "report-padding in the place of democracy."[8] Although the 1936 Soviet Constitution specified that nominations were supposed to be conducted in the workplace, with the nominees being elected from the territorial district to which they were assigned, in practice, a small group of representatives from the party, trade union, and Komsomol (youth league) organizations at the place of work sat down and decided beforehand who was to be nominated, in accordance with guidelines sent from the district (*rayon*) party organization. At a general nomination meeting, employees unanimously ratified this single list of candidates, usually with little or no discussion, by a show of hands. After six weeks of campaigning by party "agitators," voters went to the polls where they received ballots listing one candidate for each position. They deposited the ballot—occasionally with written-in requests for specific public services—in an urn. On paper, the results were impressive: almost all those eligible voted, and the fact that almost all the candidates won by more than 99 percent of the vote cast was portrayed as a ringing endorsement of Soviet socialist democracy.

The first sign that Gorbachev was interested in introducing changes into this system came at the 27th CPSU Congress, where he stated that "the time has come to make necessary adjustments in our electoral practice. A good many questions awaiting resolution

[2]A first-hand description of a session of a local soviet in Moscow can be found in Jeffrey W. Hahn, *Soviet Grassroots: Citizen Participation in Local Soviet Government*, Princeton, NJ, Princeton University Press, 1988, pp. 199–207.

[3]G. V. Barabashev, V. I. Vasil'yev, and K. R. Sheremet cite lack of public confidence as a major reason for reform of the soviets. See "Soviets of People's Deputies: A Time of Change," *Sovetskoye Gosudarstvo i Pravo* (Moscow), No. 5, 1988, p. 3. A 1988 survey of opinion in 12 provinces of the USSR conducted by the Institute for Sociological Research found that 56 percent of the respondents felt that a "complete overhaul" of the soviets was needed, while only 14 percent thought that no major structural changes were needed. See "What Should the Soviets Be?" *Izvestiya* (Moscow), June 27, 1988.

[4]*Pravda* (Moscow), June 30, 1988, trans. in *Current Digest of the Soviet Press* (Columbus, OH—hereafter, *CDSP*), Aug. 10, 1988, p. 4.

[5]See translation of Gorbachev's speech in ibid., July 27, 1988, p. 12. The interlocking relations between the party and the state are described in Ronald J. Hill, "Party-State Relations and Soviet Political Development," *British Journal of Political Science* (Cambridge), Vol. 10, 1988, pp. 149–65; and in Hahn, op. cit., pp. 250–60.

[6]At the 19th Party Conference, Gorbachev announced plans to create a new Congress of People's Deputies, comprising 2,250 members elected in equal numbers from single-member districts, from nationality groups, and from social organizations. This group is to meet once a year to elect a permanently functioning Supreme Soviet of 400–450 deputies sitting in a Council of the Union and a Council of the Nationalities, and to elect a chairman (presumably Gorbachev himself) with broader powers than the present chairman of the USSR Supreme Soviet Presidium. Gorbachev, loc. cit.; also idem, speech to the July 29, 1988, Central Committee plenum, trans. in *CDSP*, Aug. 24, 1988, pp. 4–5.

The structure proposed in many respects harks back to the structure of government created in the Constitution of 1918. See Aryeh L. Unger, *Constitutional Development in the USSR*, New York, Pica Press, 1981, Ch. 1.

[7]Russell Bova, "On *Perestroyka*: The Role of Workplace Participation," *Problems of Communism* (Washington, DC), July-August 1987, pp. 76–86.

[8]Yuriy Burtin, "Freedom of Choice," *Izvestiya*, Apr. 29, 1988.

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have accumulated here."[9] A year to the day later, decrees were adopted calling for a limited experiment in competitive elections at the local level using multi-member electoral districts (MMD). These districts were created by combining five or so single-member districts (SMD) into one. Moreover, in the MMD's, there were to be, "as a rule," more nominees than seats —say, seven or eight candidates for five places. Voters going to the polls in districts selected for the experiment received a list of candidates from which they were required to strike out sufficient names so as to leave only as many names as seats to be filled. Candidates receiving less than 50 percent of the votes cast were "not elected"; those receiving more than 50 percent but not finishing high enough to win a deputy slot were named "reserve deputies." These latter could participate in the soviets but were not allowed to vote or to hold leadership positions in the soviet.[10] Although less than 5 percent of the deputies were chosen in this manner in the elections of June 29, 1987, the multi-member elections were held in districts scattered throughout the USSR with the apparent intent of using the results to develop a new national election law mandating some form of electoral choice in the local elections scheduled for 1990.[11]

The 1987 electoral experiment was widely viewed as a success. A joint poll conducted before and after the elections by the Academy of Science's Institute for Sociological Research and Institute of State and Law revealed that the percentage of those approving the new approach jumped from 56 percent before to 77 percent after, the principal dissatisfaction expressed being that the experiment had not been more widespread and broader in scope.[12] Gorbachev himself observed:

The competition enlivened the elections, stepped up the voters' interest in them, and increased the deputies' sense of responsibility. Now we must go further, mastering and consolidating new approaches to the electoral system.[13]

However, less positive assessments of the experiment came from the substantial number of members of the local "leadership group"—i.e., those who held positions on the executive committees or in the administrative apparatus or were managers of local enterprises—who failed to be elected as deputies and found themselves relegated to "reserve deputy" status.[14] Accustomed to being automatically renominated and reelected, they found themselves ineligible to be elected to their old executive positions and so suffered a marked loss of status. These members of the executive and administrative apparatus complained bitterly that they had been "black-balled" by disgruntled voters for unpopular, if necessary, decisions in the past. They also argued that poorly informed voters chose solely on the basis of occupational identification, with the result that many good government workers lost their jobs.[15] If the goal of the reforms is to shake up the executive and administrative apparat, then the unhappiness of the administrative cadres suggests that Gorbachev's reform hit the intended target. Certainly, public opinion was on his side, with only 6 percent of citizens surveyed favoring retention of the old system.[16]

The codification of electoral reform below the federal (all-Union) level will be one of the first items on the agenda of the new Supreme Soviet chosen in April following the election to the Congress of People's Deputies on March 26, 1989. Discussion has centered on two aspects: the process of nominating candidates for deputy, and the actual conduct of voting. Let us turn first to issues regarding nomination.

The nomination process. Potentially the most consequential of the measures being discussed is the right to "unrestricted nomination of candidates" for deputy. This principle—stated in the Theses for the 19th Party Conference, advocated by Gorbachev in his speech to that gathering, and included in the conference deci-

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[9]Gorbachev's report of the Central Committee to the 27th CPSU Congress, *Pravda*, Feb. 26, 1986, trans. in *CDSP*, Mar. 26, 1986, p. 24.

[10]For a detailed description of the experiment, see Jeffrey W. Hahn, "An Experiment in Competition: The 1987 Elections to the Local Soviets," *Slavic Review* (Austin, TX), Fall 1988, pp. 434–47. For the decree on the experimental balloting with multi-member districts, see *Vedomosti Verkhovnogo Soveta RSFSR* (Moscow), No. 10, 1987, Item 310. Experiments were also carried out with the single-member district approach, though on a much more limited scale, mostly in Latvia. See Ye. G. Andryushenko and V. I. Vasil'yev, "Thoughts After the Elections," *Sovety Narodnykh Deputatov* (Moscow), No. 11, 1987, p. 95; and V. I. Vasil'yev, "Elect! But How?" *Literaturnaya Gazeta*, Oct. 28, 1987.

[11]Election results published in *Pravda*, June 27, 1987, reveal that 94,184 deputies were elected in MMD's (for the USSR as a whole, there were 2,321,766 deputies elected); another 25,127 achieved "reserve status"; and 599 candidates in the MMD's failed to receive 50 percent of the vote and hence were "not elected."

[12]Ye. G. Andryushenko interview "After the Elections," in *Sotsialisticheskaya Industriya* (Moscow), Oct. 25, 1987; see also "Soviets of People's Deputies in Conditions of Perestroyka," *Sovetskoye Gosudarstvo i Pravo*, No. 6, 1988, p. 58; Ye. G. Andryushenko and V. I. Vasil'yev, "Thoughts After the Elections," loc. cit., p. 92; and the round table discussion "Elect!" in *Literaturnaya Gazeta* (Moscow), Oct. 28, 1987, pp. 10–11.

[13]Speech to the 19th Party Conference, loc. cit., p. 15.

[14]Andryushenko, "After the Elections," loc. cit.

[15]The journal of the deputies, *Sovety Narodnykh Deputatov*, seems to have become a particularly strong forum for these views. See, for example, Yu. Baranov, "Pluses and Minuses of Multi-member Districts," *Sovety Narodnykh Deputatov*, No. 6, 1988, pp. 106–08; L. Kovaleva, "Lessons of the Experiment," ibid., No. 7, 1988, pp. 58–62; and M. Kamyshev, "Is It Easy to Be a Reserve [Deputy]?" ibid., pp. 63–65.

[16]"What Should the Soviets Be?" loc. cit.

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sions[17]—is fraught with ambiguity. Although Gorbachev made it clear at the July 29, 1988, Central Committee plenum—devoted to implementation of the reforms—that "labor collectives and public organizations must be provided with the opportunity to nominate an unlimited number of candidates,"[18] he was not specific as to which public organizations would enjoy this right or whether nominations could be put forward at pre-election meetings held at places of residence within the district. While some argue for the broadest possible interpretation, others say this would turn elections into a "bazaar."[19]

An important issue in this connection is the role to be played by non-official (*neformal'nyye*) groups or by the grassroots (*samodeyatel'nyye*) organizations that have sprung up, including groups such as Memorial, Pamyat', the Democratic Union, or the "popular front" movements that have emerged in the Baltic republics and elsewhere. Determined efforts by influential academic specialists like Tat'yana Zaslavskaya and Boris Kurashvili to ensure that these groups will be able to participate politically seem to have been received favorably by some within the party leadership.[20] Gorbachev himself expressed support for such participation in his address to the 19th Party Conference, although he stressed that it should be contained within the one-party framework and be "in the interests of the people"; it should not extend to "groups whose interests are far removed from the goals of restructuring."[21]

If the elections to the Congress of People's Deputies on March 26, 1989, are any indication, participation of non-official groups in the nomination of candidates to local soviets seems likely. Though the electoral law adopted on December 1, 1988, excluded such groups from the list of public organizations that elect one-third of the deputies to the new national Congress, nominations for the remainder of the deputies are open to anyone who can obtain at least 50 percent of the vote at meetings held in the district—residential or occupational—which are attended by more than 500 voters.[22]

While it is true that if more than two candidates are nominated, a district pre-election meeting is called to review candidates' platforms—leading to the possibility that those with views inconsistent with party policy may be pressured to withdraw their candidacies—my conversations in Moscow in February 1989, while this process was under way, suggest that such pressure was not widespread, at least not in the capital.[23] Perhaps the most dramatic evidence that "non-official" candidates were not necessarily weeded out at this stage is information that Sajudis, the popular front in Lithuania, is backing candidates in 39 of Lithuania's 42 Congressional districts.[24] Clearly, a definitive, legal resolution of the participatory rights of the non-official groups in elections to the soviets below the national level awaits the deliberations of the Supreme Soviet that the Congress of People's Deputies elects.

Reform of nomination procedures seems destined to undermine another established practice: the fixed representation of certain social groups in the composition of the deputies. Although not legally specified, it has been clear from the consistency in the percentages of deputies coming from various groups that their representation was "not accidental." In fact, the local party committees have purposefully ensured the nomination of the prescribed quota of women, youths, party members, workers, kolkhozniks, etc.,[25] supporting the legal fiction that government in the USSR was more democratic than elsewhere because it was more "representative." This fig leaf has finally been dropped, and Gorbachev could have been citing Thomas Jefferson when he told the 19th Party Conference:

We should not be afraid of the disproportionate representation of various strata of the population. . . . All that needs to be done is to create a well-adjusted competitive mechanism that will ensure that the voters choose the best possible people out of this group. Then, all the

[17]See "The CPSU Central Committee's Theses for the 19th All-Union Party Conference," *Pravda*, May 27, 1988, trans. in *CDSP*, June 22, 1988, at p. 8; Gorbachev's conference speech, loc. cit., p. 15; and *Rezolyutsii XIX vsesoyuznoy konferentsii KPSS, 1e iyulya 1988* (Resolutions of the 19th All-Union CPSU Conference), Moscow, Politizdat, 1988, p. 18.

[18]Gorbachev speech to the plenum, loc. cit.

[19]Compare legal specialist Vasil'yev, "Elect! But How?" loc. cit., p. 11, and V. Chicheurov, Pushkin city soviet executive committee chairman, interviewed by Y. Feofanov, "What Local Power Should Be Like," *Izvestiya*, Mar. 20, 1988, trans. in *CDSP*, June 1, 1988, p. 7.

[20]See, for example, Zaslavskaya, "The Fundamental Question of *Perestroyka*," *Izvestiya*, June 4, 1988; *The New York Times*, Oct. 24 and 25, 1988; interview with Boris Kurashvili, "A Democratic Union of Social Forces? Utopia? Possibility? Necessity?" *Kommunist* (presumably Yerevan [place of publication not given]), Apr. 28, 1988, as translated in *CDSP*, May 25, 1988, p. 5.

[21]Loc. cit., p. 15. CPSU Secretary G. Razumovskiy seems even more enthusiastic about the prospect of expanding participation in the elections than does Gorbachev; see "For the Renewal of Socialism," *Pravda*, Apr. 23, 1988.

[22]See article 37 of the "USSR Law on Election of USSR People's Deputies," *Pravda*, Dec. 4, 1988, translated in Foreign Broadcast Information Service, *Daily Report: Soviet Union* (Washington, DC—hereafter—*FBIS-SOV*), Dec. 5, 1988, p. 42. The list of approved public organizations is in Article 1, loc. cit., p. 35.

[23]Article 38, loc. cit., pp. 42–43. District pre-election meetings were held January 25 through February 23, 1989. The author was in Moscow for part of this period (February 10–20).

[24]Bill Keller, "Lithuanian Nationalists: A Fine and Fragile Line," *The New York Times*, Mar. 14, 1989.

[25]Hahn, *Soviet Grassroots*, pp. 107–14.

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basic groups of the population and their interests will be reflected in the make-up of the soviets.[26]

Voting procedures. With respect to the elections themselves, there seems to be a clear consensus in favor of certain structural changes, the most important being that there should be more candidates than seats to be filled. In addition, there appears to be agreement that those elected or appointed by the deputies would be permitted to serve a limit of two terms in office, and that terms for local deputies should be extended from 2.5 years to five.[27]

Two other questions, however, have generated considerable debate. The first is whether elections should be held in single-member districts with several candidates or should proceed according to the multi-member approach with reserve deputies that was tried in the June 1987 experiment. Public opinion in general and some specialists favor the SMD approach. One poll has indicated that 58 percent of the voters and 60 percent of the election organizers prefer single-member districts with two candidates.[28] A group of specialists at the Institute of State and Law has proposed that the SMD approach be employed at the oblast level and higher and that the MMD system be used for soviets at lower levels; this approach was endorsed by Gorbachev at the July 29, 1988, Central Committee plenum.[29]

The second controversial issue is whether deputies should continue to represent territorial districts or should return to the practice that existed prior to the 1936 Constitution, whereby deputies were not only nominated at the workplace, but elected from it as well. The argument for the latter option, or what is sometimes called the "production principle," rests in part on the contention that deputies elected from the workplace will more clearly be able to represent the interests of those who elect them. Territorial representation, it is argued, dilutes the deputy's mandate because so many different group interests are found within a single territorial district.[30] Interestingly, there appears to be considerable public support for this position: 48 percent of the respondents in a national poll felt that deputies should be elected, as well as nominated, at the workplace.[31] Another national poll showed only 15 percent of the voters and 22 percent of the deputies favored the present system.[32]

One of the major reasons for public dissatisfaction with this system is that frequently, deputies are nominated by a workplace not located in the territorial district they represent. More often than not, the deputies themselves live outside the district as well.[33] One obvious alternative would be to require that deputies be nominated from and live in the district they represent. This, however, would constitute a radical departure from the original conception of the soviets as "working corporations," according to which service in government was to be closely linked with one's work. Neither the production principle nor the territorial principle was endorsed in the proposed reforms. However, Article 100 of the Soviet Constitution as amended on Dec. 1, 1988, specifies that deputies may now be nominated at their place of residence as well as from the workplace. While this marks a significant change from past practice, a requirement that deputies live in the districts they represent does not appear in the legislation, nor does it seem likely that it will.

Executive-Legislative Relations

A principal thrust of the proposals to reform the soviets was to reassert the authority of elected representatives over the bureaucrats. The fiction that administrative officials were appointed by an executive committee elected from among the deputies and therefore were publicly accountable to the deputies was rarely questioned until Gorbachev came to power. Today, by con-

[26]Gorbachev speech to the 19th Party Conference, loc. cit., p. 15. Although the legislation on elections to local societs is not yet in place, Article 39 of the USSR Law on Election of USSR People's Deputies, (loc. cit., p. 43) states that "Any member of a social organization, including religious figures, may be nominated as candidate for USSR people's deputy from that organization."

[27]See Chapter 12, Articles 89–92 of the "USSR Law on Amendments and Additions to the USSR Constitution (Fundamental Law)," published in *Pravda*, Dec. 3, 1988, and trans. in *FBIS-SOV*, Dec. 5, 1988, p. 49. The law is silent on the number of terms a deputy may serve, although Article 91 limits those elected or appointed by the deputies to serving two terms.

[28]Andryushenko and Vasil'yev, "Thoughts After the Elections," loc. cit., p. 59.

[29]See "Soviets of People's Deputies in Conditions of *Perestroyka*," loc. cit., p. 59; and Gorbachev's speech, loc. cit., p. 4.

The proposal was surfaced by scholars at the Sector on the Soviets and Problems of Territorial Development at the USSR Academy of Sciences' Institute of State and Law, an institute that appears to be playing a substantial role in preparing the reforms of government. This role was discussed by Joel C. Moses in "Gorbachev and the Democratization Issue," a paper presented at the the annual meeting of the American Association for the Advancement of Slavic Studies, Boston, Nov. 5–8, 1987.

The possibility of a combination of MMD's and SMD's in soviet elections was written into Article 95 of the Soviet Constitution in the amendments approved in December 1988. Loc. cit., p. 49.

[30]This argument is made by B. A. Strashun in "The 1918 RSFSR Constitution and Elections to Organs of Soviet Power," *Sovetskoye Gosudarstvo i Pravo*, No. 7, 1988, pp. 29–30. See also interview with Doctor of History V. I. Desyaterik, "More Democracy," *Pravda*, Apr. 22, 1988, trans. in *CDSP*, May 25, 1988, p. 4.

[31]"What Should the Soviets Be?" loc. cit.

[32]"Elect! But How?" loc. cit.

[33]See Hahn, "An Experiment in Competition . . . ," loc. cit., p. 445.

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trast, the dominance of executive officials over the legislature is regarded as the fundamental problem to be overcome. In the words of one commentary:

Over the course of many years, the situation has existed where the soviets and their deputies have in fact been subordinated to the workers in the executive agencies. These people decided when to convene sessions of the soviets and which issues to introduce; they prepared the reports and the draft legislation, they established the list of speakers and even edited their speeches. The apparat played a deciding role in the choice of candidates for deputy, and in the formation of the bodies of the soviets; they turned the mass organizational work of the soviets, their standing committees, and the deputies to their own advantage. Now it is time to break such "traditions." Unfortunately, not everyone understands the need for change; even many deputies still do not feel themselves masters of the soviet. Here is the task—to overcome such inertia more quickly, to develop initiative more persistently, to inculcate in the deputies the feeling that they possess genuine authority.[34]

Although Soviet legal specialists are quick to attribute the current state of affairs to the legacy of Stalinism—with its preference for discipline and public unanimity over public debate and divided votes—some have pointed further back, to Lenin. They suggest that Lenin's own conception of the soviets as "working corporations" and his explicit rejection of Western parliamentarianism, with its premise that executive and legislative power be balanced, also played a role.[35]

Today there is a lively debate among Soviet specialists on government about introducing into the Soviet system elements of parliamentary democracy,[36] in particular those that would enable the deputies to exert real "*kontrol*" (or oversight) with respect to administrators. Those favoring this approach maintain that in order to achieve this, executive and legislative powers must be separated, not fused.[37] They appear to have reached a degree of consensus about how to do this: those holding executive and administrative positions should not simultaneously be deputies;[38] there should be at least some deputies who are temporarily released from their jobs and paid to be full-time legislators; the term of office should be lengthened to five years, but with a limited number of terms; and fewer deputies should meet more frequently for longer sessions, which should be open to the public.[39]

On the whole, the reform measures endorsed by the 19th Party Conference reflect this thinking. The gathering decided that members of executive and administrative agencies should not be elected simultaneously as deputies of the soviet for which they work.[40] In a move unanticipated in the "theses" for the gathering, the conference incorporated Gorbachev's recommendation that: "At sessions during which executive committees are elected and at which heads of departments and administrations are confirmed, the nomination of alternative candidates, the secret ballot, competition, and other democratic procedures should be the rule."[41] Such a measure could potentially enhance the leverage of the legislature with respect to the executive, in the process giving deputies committed to Gorbachev's restructuring policies a tool with which to dislodge those bureaucrats opposed to *perestroyka*.

The most significant structural change endorsed by

[34]"Soviets of People's Deputies in Conditions of *Perestroyka*," loc. cit. See, also, N. G. Starovoytov, "Sessions of the Soviets: Theory and Practice," *Sovetskoye Gosudarstvo i Pravo*, No. 11, 1985, pp. 8–10.

[35]Following Marx's writings on the Paris Commune of 1848, Lenin argued that the division of powers in bourgeois parliaments was a reflection of the class-divided societies that produced them. The propertied class elected its own to pass laws protecting its interests, and hired others —administrators—to make sure that these laws were observed. The idea behind the "working corporations" was that those who make laws should be responsible for implementing them and further that unless actually involved in administrative work, deputies should be employed elsewhere in the economy. Naturally, such deputies should not expect to be paid for public service lest a class of "professional legislators" emerge. The results of this conceptualization are now painfully obvious: amateur legislators are no match for professional administrators, and it is hardly surprising that the latter have taken over!

Even today, the Soviet Union is grappling with the concept of professional legislators. Should the President of the Academy of Sciences be a deputy? How can he fulfill both jobs simultaneously?

[36]See Fedor Burlatskiy, "On Soviet Parliamentarianism," *Literaturnaya Gazeta*, June 15, 1988, p. 2; Boris Kurashvili, "Restoring the Deputies to their Proper Status," *Izvestiya*, trans in *CDSP*, Mar. 16, 1988, p. 17; and Barabashev, Vasil'yev, and Sheremet, loc. cit., p. 9. A rejoinder to Kurashvili and a lively argument for preserving the present system and making it work better was given in an interview with S. Solov'yeva, "Democracy, Legality, Power," *Izvestiya*, May 31, 1988.

[37]See Ye. G. Andryushenko, "Guarantee of Irreversibility," *Moskovskiye Novosti* (Moscow), No. 10, Mar. 6, 1988.

[38]As Gorbachev himself noted at the 19th CPSU Conference (loc. cit., p. 15), when administrators are also deputies, "they meet and give themselves instructions, seeing to it that these instructions are as weak and as few as possible."

[39]On the whole, the public seems to support these proposals. However, a sizeable minority—32 percent—in one poll rejected a parliamentary solution; only 53 percent supported the idea that members of the executive branch should not also be deputies; and a clear plurality opposed released time for deputies (49 percent, to 32 percent in favor). See "What Should the Soviets Be?" loc. cit.

[40]*Rezolyutsii XIX vsesoyuznoy konferentsii KPSS*, p. 17. Article 96 of the December 1988 amendments to the USSR Constitution specified that persons belonging to local soviet executive committees (except for committee chairmen), leaders of agencies, departments, and administrations of local soviet executive committees, judges, and state arbitrators were not to be deputies of the soviet by which they are appointed. Loc. cit., pp. 49–50.

[41]*Rezolyutsii XIX vsesoyuznoy konferentsii KPSS*, p. 17. See also Gorbachev's speech to the conference, loc. cit., p. 14.

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the 19th Party Conference, however, was the recommendation that the deputies in each soviet elect from their number a presidium that would sit on a permanent basis, to ensure the accountability of the executive committees by taking over the preparation of soviet sessions and coordinating the work of their standing committees.[42] The concept of such an institution had been discussed by specialists for some time, and Gorbachev highlighted its purpose as being to ensure the "proper democratization of functions and stepping-up of the oversight functions of the representative bodies over the activity of the executive committees."[43]

The actual resolutions of the conference made curiously little reference to the presidium idea except to limit the application of the concept to soviets above the settlement and village level.[44] Gorbachev, too, offered few specifics regarding membership in these presidiums, except to drop the bombshell that, "as a rule," the first secretaries of the corresponding party committees would be nominated to chair the presidiums, subject to confirmation by the deputies in a secret-ballot vote.[45] (Since this proposal appears to contradict Gorbachev's earlier commitment to end party interference in the running of government, I will reserve discussion of the controversy it aroused for the following section, which deals with party-state relations.)

Based on my own conversations with Soviet legal specialists in July 1988 and February 1989, it appears that the presidiums will include heads of soviet standing committees, two vice chairmen (one from the people's control committee), and a chair (who would normally be the local party secretary). These deputies will likely be released from other duties for full-time legislative work, and will be paid for their service as deputies.

Redefining Party-State Relations

From the earliest days of the Bolshevik revolution, attempts to define the relationship between the institutions of the party and those of the state were fraught with difficulty. In large part, this difficulty stemmed from Lenin's conception of the party as the "vanguard" of the working people. As such, the party claimed a legitimate monopoly over the making of policy; the function of government was to implement party policy. In theory, a boundary existed between these two functions: "the party strives to *direct* the work of the soviets, not to replace (*podmenit'*) them."[46] In other words, it was the job of party members to exert political leadership, but to leave the actual running of government to the soviets.

Although the boundary seemed clear enough in theory, it proved impossible to maintain in practice. As a prominent Soviet historian put it recently:

Unfortunately, these principles of relations between the party and the soviets were not fully recognized subsequently. The conditions of the Civil War and the bitter struggle against the counterrevolutionaries and interventionists, and the flagrant distortions of the Leninist norms of party life and the crimes that Stalin committed all had an effect here.[47]

Whether the fault lay with Lenin's original conception of the party or with Stalin's abuse of this conception, the results were indisputable. By the time Gorbachev took over party leadership, replacement (*podmena*) of the authority of the state by that of the party was all but complete; the argument that a "boundary" existed between them was a legal fiction.

The new reform leadership recognized this problem early on. A July 1986 resolution of the CPSU Central Committee "On the Further Improvement of Party Leadership of the Soviets" called for a

resolute effort . . . to eradicate petty tutelage, duplication of the work of soviets, and usurpation of their function, and to prevent the taking of decisions on questions that fall within their jurisdiction. It is necessary, as a rule, to halt the adoption of joint resolutions by party and soviet bodies at the local level and to constantly ensure that close practical collaboration is organized among soviet, trade union, Komsomol, and economic bodies.

Yet, at the same time, the Central Committee ordered party committees to

increase the role of party groups in soviets, which, in accordance with the Party Rules [Ustav KPSS], must be a really effective mechanism for increasing party

[42]*Rezolyutsii XIX vsesoyuznoy konferentsii KPSS*, p. 17. See also Gorbachev's speech to the conference, loc. cit., p. 14.

[43]Gorbachev's speech to the conference, loc. cit., p. 14. On the prior discussion of the concept by specialists, see Ronald J. Hill, *Soviet Politics, Political Science, and Reform*, New York, M. E. Sharpe, 1980, pp. 82–84; also Barabashev, Vasil'yev, and Sheremet, loc. cit., p. 10.

[44]*Rezolyutsii XIX vsesoyuznoy konferentsii KPSS*, p. 17. This stipulation was codified in Article 91 of the December 1988 constitutional amendments. Loc. cit., p. 49.

[45]Gorbachev's speech to the conference, loc. cit. p. 14.

[46]The phrase originated in a March 29, 1919, resolution of the Russian Communist Party (Bolshevik) "On the Organizational Question," and was reconfirmed in both the 1977 Constitution and in item 60 of the Party Rules. For the 1919 resolution, see Richard Gregor, Ed., *Resolutions and Decisions of the CPSU, Vol. 2: The Early Soviet Period, 1917–1929*, Toronto, University of Toronto Press, 1974, pp. 83–88. Translations of both the 1977 Constitution (see Article 6) and the Party Rules be found in Donald Barry and Carol Barner-Barry, *Contemporary Soviet Politics*, Englewood Cliffs, NJ, Prentice Hall, 1987, 3rd ed.

[47]Interview with V. I. Desyaterik, loc. cit., p. 3.

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influence on the activity of soviets, ensure that party groups operate regularly, make fuller use of their monitoring functions with regard to Communist deputies, and collaborate closely with the primary party organizations of the soviet apparatus, especially on matters of selection and placement of cadres, and improvement of the style and methods of work of soviet bodies.[48]

Although party control of the state is like a vine with many branches, it is rooted in two phenomena: control over personnel and duplication of organizational structures. Control over personnel is ensured because the appointment of governmental personnel falls within the *nomenklatura* (patronage) of the corresponding party committee secretary and because the party, as noted earlier, dominates the process by which deputies are chosen. As a result, although a majority of those elected to the local soviets are not party members, the leaders of the soviets are overwhelmingly so. Over 80 percent of the members and virtually all of the chairmen of the executive committees of the local soviets are members of the CPSU. In fact, the post of chairman is frequently held by the first secretary of the local party committee.[49] As to duplication of structure, for each administrative department within the soviet, there is a corresponding member on the local party committee.[50]

The result of this "*podmena,*" of course, is that the soviets long ago lost whatever independence from party authority might have been originally intended. Resolutions adopted by the party are often published jointly with the state, and even when they are not, are often copied word for word in decisions proposed to the deputies for their unanimous ratification. Not surprisingly, the soviets are held in generally low public regard when it comes to making decisions affecting community life; it is understood that if you want to get something done, you go first to the local party leadership.[51]

There seems to be fairly broad public support for ending the party's duplication of the soviets' activities, for making the deputies real decision-makers and not just rubber stamps for decisions made elsewhere.[52] A number of proposals on how to accomplish this have appeared in the specialist literature over the past year. One of the most comprehensive proposals appeared in an article by three influential legal experts, published in the May 1988 issue of the journal of the Institute of State and Law:

Put into full practice the ideas of Lenin about relations between party and state and achieve political leadership in the affairs of government above all through the soviets. The implementation of party directives through the soviets must be in accordance with the strictest observation of the legislative prerogatives of those bodies, and with democratic procedures as established in the laws, that is, within the framework of the Constitution. End the practice of taking joint resolutions by the party and the Council of Ministers, which effectively enhances the role of the executive branch to the detriment of the soviets in their legislative activities. Ensure that the deputies make their decisions on the basis of positions freely chosen; do not allow the use of mechanisms for party accountability and discipline, except for exceptional cases when the soviets' decisions contradict programs established by the party. Radically reduce the patronage [nomenklatura] over organizational issues which are decided by the soviets in accordance with an obligatory preliminary agreement with the party; also end the patronage for officials in the state apparatus whose nomination is achieved through a similar agreement; eliminate improper replication of party and state administrators.[53]

The fact that many of these suggestions merely repeated themes found in the July 1986 resolution shows how little had changed in party-state relations and how strong the "inertia" of past practices is. Recognizing this, Gorbachev made "demarcation of the functions of party and state institutions" one of the central items on the agenda of the 19th Party Conference.[54] The decisions that emerged from the conference and the resolution implementing them adopted at the July 1988 Central Committee plenum contained two concrete proposals to end the substitution of party authority for that of the state.

First, the party resolved "to end henceforth the taking of joint resolutions by party committees and the executive administrative bodies of the soviets; to resolutely end efforts by workers in the party apparatus to interfere in the exercise of the authority of the soviets."[55] The other measure called for a restructuring of the central

[48]For the resolution, see *Pravda*, July 30, 1986.

[49]See Hahn, *Soviet Grassroots*, pp. 253–55. This practice was the object of a critical letter to the editor, "A Minister Does Not Have to Be a Party Member," *Izvestiya*, Apr. 20, 1988.

[50]This parallel structure at the provincial level is discussed in "It Is Very Hard To Crack Down on Oneself," *Izvestiya*, May 13, 1988.

[51]See, for example, Yu. Shpakov, "The First Floor of Power," *Pravda*, Apr. 28, 1988, trans in *CDSP*, June 1, 1988, p. 7; and A. S. Sudakov, "Let Us Return Power to the Soviets," *Pravda*, May 16, 1988.

[52]In a public opinion poll taken on the eve of the 19th Party Conference, only 4 percent agreed that deputies presently "take an active part in working out decisions and seeing them implemented." Some 69 percent felt that this *should* be the function of deputies. See "What Should the Soviets Be?" loc. cit.

[53]Barabashev, Vasil'yev, and Sheremet, loc. cit., pp. 10–11.

[54]Gorbachev's speech to the February 1988 CC plenum, loc. cit.

[55]Resolution of the CPSU CC Plenum "On Practical Work in Realizing the Decisions of the 19th CPSU Conference," *Pravda*, July 31, 1988.

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and local party apparatus to end its "fragmentation based on branches of administration." It was stated that this reorganization would bring a "significant" reduction in the numbers of party personnel.[56]

Continued party control. Even while setting limits to party authority, Gorbachev's CPSU is not about to relinquish its influence over the soviets. There appear to be at least two ways in which the party plans to exert its "leadership role." The first is through the "party group," a concept that dates back to Lenin's time and which was explicitly highlighted in the July 1986 Central Committee resolution (see above). Quite simply, the "party group" comprises those members of the executive and legislative branches of the state system who are members of the CPSU—in effect, a party caucus.[57] The potential for interference remains great, but the theory is that greater *inner-party* democracy could give rank-and-file party members more opportunity to hold the leaders accountable.[58]

The second, and more controversial, way is through creating a "presidium" of deputies, which would be in permanent session to oversee the work of the soviets, with the first secretary of the corresponding party committee automatically nominated to chair this presidium. Advanced by Gorbachev at the 19th CPSU Conference, the proposal for such a presidium came as a surprise to the delegates and occasioned heated discussion. Several speakers, including L. I. Abalkin, openly questioned the wisdom of such a proposal, pointing out that it appeared to contradict the stated goal of ending the party's interference in governmental affairs. Others, like G. A. Arbatov, supported it in principle, but urged that deputies be able to choose among more than one candidate.[59]

Gorbachev's defense of his seemingly paradoxical proposal was lengthy, and rested primarily on two arguments. The first was that to make the first secretary of the party the chair of the presidium raises the prestige of the legislative branch (at present, the first secretary almost invariably sits on the executive committee, thereby allying the party with the bureaucrats). The second point Gorbachev made was that simply because the first secretary is nominated to chair the presidium does not ensure his election, since the vote will be by secret ballot. Where secretaries are not supported by a majority of the deputies, the "appropriate conclusion" will have to be drawn by the party committee, and a discredited chairman stands to lose his party post as well. In this way "every mandate a party leader receives from the Communists will be verified and confirmed, as it were, by the representatives of the people."[60] In essence, while shifting the balance of power from the executive to the legislative branch of government, this approach would also introduce a degree of public accountability—albeit indirect—for party secretaries that presently does not exist.

Soviets and Enterprises

A final area of reform involves relations between soviets and the enterprises and institutions located on their territories. On paper, the rights of soviets vis-à-vis such organizations are vast: Article 146 of the 1977 Constitution states that the soviets "shall decide all matters of local significance."[61] And since virtually the whole economy (including the service sector) is run by the state, this would seem to give local governments considerably greater power than their counterparts in market economies.

The reality is quite different. According to the principle of "dual subordination," heads of administrative departments responsible for policy in their branch of the economy are not only subordinated horizontally to the executive committee of the local soviet that appointed them, but also vertically to the head of the branch's department at the next higher level of administration on up to the USSR Council of Ministers. As a result, department heads may be the object of conflicting demands: what is good for the ministry may not always be good for the district. Since power over both the purse and personnel is controlled from above, there is little question that ministerial priorities generally prevail. In time, as Boris Kurashvili has observed, such bureaucratic decision-making supplanted political leadership, "leading

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[56]Resolution of the CPSU CC Plenum 'On Basic Guidelines for Restructuring of the Party Apparatus'," ibid

[57]For a textbook description of how this concept is supposed to work, see G. V. Barabashev and K. F. Sheremet, *Sovetskoye stroitel'stvo* (Building the Soviets), 2nd ed., Moscow, Yuridicheskaya Literatura, 1981, pp. 115–24.

[58]The party group's role in setting the agenda, regulating sessions, and nominating officers of the soviets is discussed in A. V. Sudakov, loc. cit.

Though proposals to democratize the party itself are beyond the scope of this paper, they are a critical precondition for success in Gorbachev's attempts to enhance the authority of the soviets. Thus, elections within lower party ranks were scheduled for October and November, i.e., prior to the implementation of government reforms. See *The New York Times*, Sept. 21, 1988.

[59]For a translation of Abalkin's comments, see *Pravda*, June 30, 1988, in *CDSP*, Aug. 3, 1988, p. 8; for Arbatov, *Pravda*, June 30, 1988, trans. in *CDSP*, Aug. 10, 1988, p. 4. See, also, speeches by V. V. Bakatin (*Pravda*, June 30, 1988) and by V. Yu. Nizhel'skiy and A. A. Mel'nikov (*Pravda*, July 2, 1988), in *CDSP*, Aug. 3, Sept. 14, and Sept 21, 1988, respectively.

[60]Gorbachev's speech to the 19th Party Conference, loc. cit., p. 15. For an interesting confirmation of the pressure this would place on party secretaries, see the remarks of N. Nazarbayev, Chairman of the Kazakh Council of Ministers, "Cutting the 'Gross Output' Knot," *Pravda*, July 9, 1988.

[61]Aryeh Unger, op. cit., p. 262.

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to the years of stagnation."[62]

Just how much control the center enjoys was made clear in a speech by the first secretary of the Krasnodar territory party committee:

The Krasnodar soviet cannot decide anything on its own today; Moscow has assumed responsibility for everything. The soviet's budget is drawn up in the Ministry of Finance, state orders are drawn up in [other] ministries, Gosplan decides what to build and where. At the soviet's sessions each year we discuss plans for regional social and economic development, plans that are given to us by central departments six months later. As far as settlement and rural soviets are concerned—let's speak frankly today—they have no rights at all.[63]

In July 1986, a joint resolution of the CPSU Central Committee, the Presidium of the USSR Supreme Soviet, and the USSR Council of Ministers "On Measures to Further Increase the Role and Strengthen the Responsibility of the Soviets of People's Deputies in Accelerating Social-Economic Development in Light of the Resolutions of the 27th CPSU Congress" specified six areas in which the local soviets were to receive greater authority. These were: comprehensive planning in areas affecting local development, in the production of consumer goods, in capital construction, and in matters affecting the environment; transfer of some of the profits of local enterprises to budgets of the soviets, and the creation of wage incentives for local bureaucrats.[64] In addition, Article 9 of the USSR Law on the State Enterprise (Association) of June 1987 obligated enterprises to contribute to the social and economic development of the territory on which they were located and to obtain approval of the local soviet for all construction. In return, the local soviets were expected to help provide the necessary conditions for optimal economic operations at the enterprises, including the provision of appropriate services for employees.[65]

However, these two documents were conspicuously lacking in specifics. In fact, most local government executives feel that their prerogatives have narrowed since the measures were adopted. In a 1988 survey of chairmen of executive committees in 110 large cities, 73 percent expressed the opinion that responsiveness to local needs on the part of enterprises subordinated to higher ministries had actually worsened since 1987; only 5 percent saw an improvement.[66]

In the spring of 1988, a number of articles in both the specialist literature and the popular press suggested ways to overcome this imbalance between the soviets and the enterprises. Most of the proposals focused on two complementary approaches: to reduce control from above by introducing autonomous decision-making (*samoupravleniye*) and to increase revenues and budgetary discretion at the base through self-financing (*samofinansirovaniye*).

The first of these involves devolution of authority in those areas where local interests are most clearly affected—land-use planning, the environment, distribution of consumer goods and food, the relocation of manpower, and housing. For example, it was suggested that funds for housing construction (which are now divided up according to each ministry) be given over to the Council of Ministers for distribution directly to the soviets, which would take over the financing of local housing construction—determining where, how, and for whom housing would be built, and who would build it.[67] Still another commentary rejected "dual subordination" in favor of a version of "home-rule," according to which local governments could make rules in all areas not reserved by law for higher authorities.[68]

Decision-making authority without budgetary resources is, of course, meaningless. Therefore, it has been proposed to give local authorities greater financial autonomy by expanding their revenue base. Many suggest making enterprises located on a soviet's territory pay for using local natural resources and for public services which they use. (Enterprises are supposed to do this now, but often do not.) One angry executive committee chairman in an oil-producing district wanted the right to lease and tax property in order to make the soviets "genuine masters of their own territory."[69]

Other ways to raise revenues include taking a specified share of above-plan enterprise profits, imposing penalities for environmental pollution, putting relations with enterprises on a contractual basis, and taxing cooperative ventures.[70] What is painfully clear in all these

[62]Interview with Boris Kurashvili, "Restoring the Soviets to Their Proper Status," *Izvestiya*, Feb. 16, 1988, trans. in *CDSP*, Mar. 16, 1988, p. 17.

[63]Speech of I. K. Polozkov to the 19th Party Conference, *Pravda*, July 1, 1984, trans. in *CDSP*, Aug. 17, 1988, p. 22. For a good description of how the economic activity—in particular, housing construction—of a local government is subordinated to higher authorities, see "The Real Power of Local Power," *Literaturnaya Gazeta*, June 15, 1988, p. 11. Such complaints are far from rare.

[64]For the text of the resolution, see *Spravochnik partiynogo rabotnika* (The Party Worker's Handbook), Moscow, Politizdat, 1987, pp. 627–44.

[65]*Pravda*, July 1, 1987, trans. in *CDSP*, Aug. 26, 1987, pp. 13 and 24, and Sept. 2, 1987, p. 11.

[66]Ye. G. Andryushenko, "Power to [the Organs of] Power," *Sotsialisticheskaya Promyshlennost'*, June 15, 1988.

[67]"The Soviets of People's Deputies in Conditions of *Perestroyka*," loc. cit., p. 54.

[68]Barabashev, Vasil'yev, and Sheremet, loc. cit., p. 12.

[69]Interview with S. A. Sudakov, loc. cit.

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approaches is that the costs of local government have long ago outstripped revenues—a fact of Soviet life only recently acknowledged publicly—and that there is little the local soviets can do on their own to change it.[71]

The "restructuring" of relations between the enterprises and the soviets has apparently proven very contentious, if not contradictory. Thus, for example, while local governments are encouraged to seek increased revenues from local firms, local firms, driven by the exigencies of self-financing, will seek to assume less, not more, of the tax burden. As a result, hard decisions have been deferred. Such has been the situation despite the fact that the 1986 decree on the soviets and the "Theses" on the reforms that appeared prior to the 19th Conference had been quite forthcoming about what needed to be done in this regard and had incorporated many of the ideas just discussed. For example, the "Theses" read:

The material and financial possibilities of the local soviets should be expanded substantially. [We should] ensure the formation of the revenues of local budgets on the basis of long-term normatives, having in mind above all the expansion of receipts into the budgets of lower-level soviets from enterprises and economic organizations located within those soviets' territories. The full responsibility and independence of local bodies of power in resolving questions of the development of their territories must be established, with the broad use of "economic-accountability" [khozraschetnyye], contractual, and other relationships with enterprises and organizations, regardless of their subordination. The interference of higher-level bodies of power and administration in resolving questions falling within the jurisdiction of lower-level soviets, as well as numerous unnecessary coordination meetings, must be persistently overcome.[72]

Gorbachev's remarks to the 19th Party Conference, though generally endorsing the proposals in the "Theses," were more cautious. He supported the transfer of a portion of enterprise profits to local budgets, but suggested that the local population itself should also contribute to those budgets; he agreed that authority should be transferred to the soviets, but only with respect to those enterprises "whose output is related to the satisfaction of the population's requirements," and that these relations must be "precisely and clearly defined in the law." Moreover, perhaps with certain of the union-republics in mind, he injected a new note of warning into the discussion of administrative decentralization:

All of us, I think, will vote for self-government against arbitrariness, and for taking local interests into account, but also for having those interests mandatorily combined with the interests of society as a whole. In short, those who believe that the line of decentralization is opening the floodgates to parochialism and regional selfishness are grossly mistaken.[73]

And at the July 29, 1988, Central Committee plenary session on implementation of proposals for political reform, the whole issue of local authority and local budget reform as it relates to the enterprises was put off until the preparation of "a new law on local self-government." This law is to be debated by the new Supreme Soviet to be chosen by the Congress of People's Deputies elected in March 1989.[74]

Prognosis

At the outset, I suggested that the goal underlying Gorbachev's acceleration of the processes of democratization is to amass greater political power in order to remove those in government who are opposed to *perestroyka*. And indeed, in every instance, the policies of democratization appear to be serving this purpose. For example, the June 1987 experiment with competitive elections conducted in some 5 percent of the electoral districts resulted in the removal there of many such opponents from executive and administrative leadership positions. Elections in March 1989 to the new Congress of People's Deputies are also to be competitive (although the emphasis is on single-member rather than multi-member districts), and can be expected to eliminate additional foes of *perestroyka*.[75]

Moreover, there are the measures designed to diminish the role of the bureaucracy, the traditional bastion of opposition to change. For example, the executive and

[70]See N. Shirkevich, "In Order to Strengthen the Local Budget," *Sovety Narodnykh Deputatov*, No. 6, 1988, pp. 67–72; also, "The Soviets of People's Deputies in Conditions of *Perestroyka*," loc. cit.

[71]See *The New York Times*, Oct. 20, 1988. Although Shirkevich (loc. cit.) does not use the word "deficit," his assertion that local expenditures grew 4.3 times between 1960 and 1985, while revenues fell, leaves little doubt about the sorry state of soviet finances.

[72]"Theses," loc. cit., p. 7.

[73]Loc. cit., pp. 14, 18.

[74]See Gorbachev's speech to the July 1988 plenum, loc. cit., p. 4. He also explicitly rejected the idea "that enterprises will now take orders from republic and local agencies instead of Union ministries" (ibid., p. 18).

[75]The procedures for the March 26, 1989, national elections were spelled out in the USSR Law on Election of USSR People's Deputies, published in *Pravda* on Dec. 4, 1988, and trans. loc. cit.

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administrative personnel are no longer to be allowed to hold elective office in the local soviets, but are to serve at the pleasure of the legislative representatives and be under the guidance of a full-time presidium composed of these representatives. To ensure the dominance of the party over the bureaucracy, Gorbachev has proposed ending parallel administrative departments in party committees and installing the local party secretary as head of the legislative presidium. It is argued that this will separate the party from the bureaucracy and enable it to control the bureaucracy instead of being controlled by it. Finally, Gorbachev has laid plans to reduce the numbers of the bureaucracy by as much as 40–50 percent at the upper levels.[76] To accomplish this, he proposes a devolution of decision-making authority to the local soviets along with an increase in their budgetary resources and discretion.

Will Gorbachev succeed? We will not know the answer to that question for years. The proposals, even if they are adopted in their present form, will not be in place until the end of 1989 at the earliest.[77] Beyond that, it will take at least two legislative terms (each of five years' duration) of practice to tell if the changes will be significant, let alone lasting.

In the meantime, the reforms are likely to face a number of problems. One is inherent in the choice of democratic means. Just because people can express their opinions more freely and choose between competing candidates does not guarantee that the views desired by the reformers will win out. Indeed, in reading much of the literature on political reform, there is a charmingly naive conviction that although elections involve a clash of ideas and issues, given the opportunity, the electorate will surely chose candidates supporting *perestroyka*. In reality, elections are more often won by those who are interested in gaining and holding political power—in short, by political professionals. In the Soviet context, these qualities rest with Gorbachev's opposition, as he found out when many, if not most, of those elected to the 19th Conference turned out to be, at best, reluctant supporters of the new order.[78] That competitive elections could conceivably result in the election of Gorbachev's opponents as well as supporters is buttressed by evidence indicating that even the experimental elections in 1987 tended to favor disproportionately the election of middle-aged, male party members, many of whom likely were party professionals.[79]

The possibility that Gorbachev's opponents could hold their own or even win in a democratic contest is probably enhanced by the underdevelopment of democratic political culture in the Soviet Union. Most people are simply not used to the democratic rules of the game, having for so long been accustomed to having their choices made for them. Discussing the need to "raise political culture," V. N. Ivanov, Director of the Institute for Sociological Research, said:

For a long time, the Soviet people, especially the masses, were indifferent to the electoral system, and to participation in the administration of affairs at any level other than at their own workplace. This is explained, first of all, because people did not sense that they could participate in the resolution of this or that issue, nor were they convinced that anything depended on them in the taking of important decisions.[80]

A critic of the multi-member district experiment suggested that fewer than one voter in five knew anything about the candidates they were voting against and that most voted on the basis of the candidate's occupation, which was listed on the ballot.[81] Deputies, too, find themselves relatively ignorant compared to the bureaucrats who have control of information and expertise.

Much will also depend on how successful Gorbachev is in getting the party to let go. Even what he proposes is ambivalent. On the one hand, there is a willingness to recognize and condemn the practice of "*podmena*," whereby the local party committee exerted virtually complete control over personnel and policy decisions of local soviets. To deal with this, the party committees are supposed to eliminate *nomenklatura* and organizational duplication. On the other hand, it is clearly intended that the interests of socialism prevail in decisions about personnel and policy, and that these interests are to be defined within the framework of the one-party system. Party "leadership" in these matters

[76]See his speech to the 19th Party Conference, loc. cit., p. 18.

[77]A timetable for implementation is found in the Central Committee resolution of July 30, 1988 "On Practical Work in Realizing the Decisions of the 19th CPSU Conference," loc. cit. Following elections in March 1989, the new Congress of People's Deputies will convene in April and elect a new Supreme Soviet, which will in turn draft legislation regarding the local soviets. These bodies, reorganized, are to "enter the exercise of their authority" in December 1989.

[78]Conversations in July 1988 with soviet specialists who attended the 19th Party Conference, as well as with those who witnessed the election of delegates to it, left me with the impression that perhaps half or more of the delegates were "conservatives." This impression is reinforced when one notes those parts of Gorbachev's speech that received applause.

[79]From unpublished survey results made available to the author during his July 1988 visit to Moscow. See also, "Elect! But How?" loc. cit Conversations in Moscow in February 1989 made it clear that most specialists expected that party members would consitute a *larger* majority of deputies to the new Congress (80 percent) than was true of previous Supreme Soviets (70 percent).

[80]Interview with Ivanov, "How We Feel About Ourselves as a Society," *Argumenty i Fakty* (Moscow), No. 1, 1988.

[81]Baranov, loc. cit, p. 107.

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will be ensured by the party group and by the presence of the first secretary as chairman of the presidium of the local soviet. Gorbachev may be able to use revitalized deputies to clean his bureaucratic house, but only if those in the party who wield the brooms are committed to *perestroyka,* and this is far from certain at this time.

In short, the potential for long-term systemic change embodied in the far-ranging and comprehensive proposals to reform local government discussed here is great. What will be realized in practice may amount to much less. Why? In the end, the "democratization" of structures and procedures is a necessary, but not sufficient condition for the emergence of a "civic culture" in the Soviet Union; it may not even be enough to gain control over the bureaucracy.

Unless the way people think about politics, and behave politically, changes, the dominance of the administrative "professionals" in both the party and state apparatuses over the people and their elected representatives will continue. And if this is so, Gorbachev may become less disdainful of L. I. Abalkin's question to the 19th Party Conference: "Are we able to ensure the democratic organization of public life while retaining the Soviet organization of society and the one-party system?"[82]

[82]Abalkin, loc. cit., p. 8.

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Checklist of Communist Parties in 1988

EDITOR'S NOTE: By arrangement with Richard F. Staar and the Hoover Institution on War, Revolution and Peace (Stanford, CA), we present the latest version of the "Checklist of Communist Parties," covering developments in 1988. This Checklist continues a series that has appeared in the *Yearbook on International Communist Affairs* (*YICA*) since 1976, and has been jointly published with *Problems of Communism* since 1981. The current list is a slightly modified version of material to appear in *YICA 1989*. The authors and editors welcome corrections, additions, or amendments. Such contributions may he addressed to The Editors, *Problems of Communism,* 301 4th Street SW, Washington, DC 20547, USA.

Richard F. Staar

THE WORLD revolutionary process as perceived by Moscow is alive, but no longer well. The introduction of *glasnost'* in the Soviet Union has contributed to ferment among foreign communist parties, especially revelations concerning crimes during the Stalinist period, which reflect adversely on some of the aging leaders in other communist-ruled states. The impact of Soviet reforms, or *perestroyka,* has created a split, especially among ruling movements, with some opposed to emulating Moscow.[1]

The *World Marxist Review* (*WMR*) continues to be an important Soviet vehicle for organizing, every three to four years, magazine work conferences that draw together representatives of "fraternal communist, workers', and revolutionary democratic parties." The most recent such gathering, held April 12–15, 1988, attracted representatives of 93 such organizations to Prague, where *WMR* has its headquarters. Although ostensibly assembled to discuss the work of the journal, the delegates also heard an address by CPSU Secretary and Gorbachev advisor Anatoliy Dobrynin, who candidly explored reasons for the declining attraction of communism. In rhetoric directed at the world at large, such spokemen as Dobrynin and Vadim Zagladin have downplayed talk of "two camps" and "proletarian internationalism," and have admitted that the USSR misjudged the staying power of capitalism.[2] Indeed, in his own vision, Gorbachev seems to put forward a world that is technologically interdependent and transcends class differences.[3]

The principal instrument within the CPSU apparatus for dealing with foreign communist parties remains the International Department (ID). Currently under a new

Richard F. Staar, coordinator of the international studies program at the Hoover Institution (Stanford CA), resumed editorship of the Yearbook on International Communist Affairs *after having served as US Ambassador to the Mutual and Balanced Force Reduction talks in Vienna, Austria. A 5th revised edition of his text,* Communist Regimes in Eastern Europe, *appeared in December 1988. The author is indebted to Margit N. Grigory, Thomas H. Henriksen, William E. Ratliff, Ramon H. Myers, Robert Conquest, James H. Noyes, and Dennis L. Bark—all members of the* YICA *editorial board—for their contributions to this essay.*

[1]See Kevin Devlin, "The Communist Movement in 1988," Radio Free Europe-Radio Liberty, *Radio Free Europe Research* (Munich), RAD Background Report/249, Dec. 30, 1988, p. 1.

[2]"Communiqué," *World Marxist Review* (the English-language version of *Voprosy mira i sotsializma* [also known in many languages as *Problems of Peace and Socialism*]; references are to the North American edition, published in Toronto), June 1988, pp. 5–6, lists 91 of the movements and states that two had requested not to be identified. The Italian Communist Party withdrew from the *WMR*'s editorial board at the April gathering, which also was the occasion for familiar complaints from the Japan Communist Party about Soviet domination of the magazine. *Rudé Právo* (Prague), Apr. 15, 1988; and *Akahata* (Tokyo), Apr. 14, 1988. Dobrynin's address was published in *Pravda*, Apr. 13, 1988.

[3]M. S. Gorbachev, *Perestroyka i novoye myshleniye* (*Perestroyka* and the New Thinking), Moscow, Politizdat, 1988, pp. 137–65.

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Table 1: Social Composition of Vanguard Parties

Country	Party	Members and candidate members		Workers	Farmers
		End of 70's	Mid-1980's	(in %, mid-1980's)	
Afghanistan	People's Democratic Party of Afghanistan	18,000	155,000	28.0	n.a.
Angola	Movement for the Popular Liberation of Angola—Party of Labor	351,000	35,000	35.0	2.0
Congo/Brazzaville	Congolese Party of Labor	7,000	8,700	31.5	14.5
Mozambique	FRELIMO	110,000	130,000	18.9	53.5
Ethiopia	Workers' Party of Ethiopia	—	44,000	21.7	3.3
Madagascar	Congress Party for Malagasy Independence	60,000	n.a.	8.0	70.0
South Yemen	Yemen Socialist Party	—	31,700	15.0	n.a.

SOURCE: A. P. Agafonov and V. F. Khalipov, *Sovremennaya epokha i mirovoy revolyutsionnyy protsess* (The Contemporary Epoch and the World Revolutionary Process), Moscow, Vysshaya shkola, 1988, p. 158.

head, former Novosti press agency board chairman Valentin Falin, the ID has been subordinated since the latter part of 1988 to a new Party Commission on Questions of International Policy,[4] chaired by Aleksandr Yakovlev, a full Politburo member and a Central Committee secretary. This subordination probably indicates some reduction in the status of the ID (Falin is only a candidate member of the Central Committee) and tighter control of ID operations by the Politburo, although the ID does appear to have assumed the duties of the former Cadres Abroad and Liaison with Communist and Workers' Parties departments.

Significantly, in his report to the 19th CPSU Conference in June 1988, Gorbachev made no claim that the world communist movement was expanding.[5] The latest Soviet statistics confirm that there has been little, if any, growth in the movement. They acknowledge the existence of approximately 100 communist parties, with total membership at "more than 80 million" worldwide.[6] Even the so-called vanguard Marxist-Leninist movements, i.e., Marxist ruling organizations that are seen to be on the road to becoming but yet not to have attained the maturity of ruling communist parties in Eastern Europe or Asia, are recorded as numbering only seven (see Table 1).

Nevertheless, Moscow still looks on this "world socialist system" and the more narrowly defined "socialist commonwealth" (comprising the 10 full members of the Council for Economic Mutual Assistance plus Laos and Kampuchea, which have observer status at CEMA) as an "enormous, priceless property and, moreover, as a factor of peace and progress, the property of all humanity."[7] It is this system, however divided, which we attempt to enumerate below.

The Checklist includes 109 countries or major geographic areas that have one or more communist parties, a vanguard "revolutionary democratic" party, or a radical "national liberation" or "revolutionary democratic" movement not yet promoted to the "vanguard" category by Moscow. The CPSU recognizes more than one communist party in Australia, Costa Rica, Finland, Greece, India, New Zealand, Spain, and Sweden. It also recognizes communist movements in such nonsovereign territories as Guadeloupe, Martinique, Palestine, Puerto Rico, Réunion, and West Berlin.

Moscow deems that "vanguard revolutionary-democratic" parties govern the following countries: Angola, Afghanistan, Congo-Brazzaville, Ethiopia, Madagascar, Mozambique, and South Yemen. We also list some of the more important "revolutionary democratic" movements: those in Bahrain, Grenada, Nicaragua (the Sandinistas), Suriname, and Zimbabwe.[8] Finally, the enumerated countries contain several significant Marxist-Leninist movements not recognized by Moscow; these are listed in italics.

Acronyms of movements not designated as "Communist Party of . . ." appear next to the name of the country or territory on the Checklist, with the full name provided in the legend. Population data are estimates

[4]"CPSU Central Committee Plenum Resolution," *Pravda* (Moscow), Nov. 29, 1988.

[5]Moscow Television Service, June 28, 1988, translated in Foreign Broadcast Information Service, *Daily Report: Soviet Union* (Washington, DC—hereafter, *FBIS-SOV*), June 29, 1988, pp. 1–35

[6]V. P. Agafonov and V. F. Khalipov, *Sovremennaya epokha i mirovoy revolyutsionnyy protsess* (The Contemporary Epoch and the World Revolutionary Process), Moscow, Vysshaya shkola, 1988, p. 201.

[7]From excerpts of a report delivered by Eduard Shevardnadze to a conference of workers of the USSR Ministry of Foreign Affairs, July 25–27, 1988, in *Vestnik Ministerstva Inostrannykh Del SSSR* (Moscow), No. 15, Aug. 15, 1988, p. 38.

[8]For a listing of 24 revolutionary democratic movements and vanguard parties, see Table 1.3 in Richard F. Staar, *USSR Foreign Policies After Detente*, Stanford, CA, Hoover Institution Press, 1987, rev. ed., p. 14.

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as of July 1988.[9] The list also identifies the preeminent party leader—first secretary, general secretary, or secretary general, unless otherwise noted—the dates of the most recent congress or national conference of the party, its legal status, and the percentage of votes and number of seats won in the latest national election (the year of the last election is given in parentheses even if the party was illegal or did not participate for some other reason). Table 2 lists 30 party congresses or conferences held during 1988.

Among the 16 ruling communist parties, China recorded the largest membership increase since 1987 (almost one million), followed by the USSR (430,000), Vietnam (210,000), and Romania and Poland (about 70,000 each); significant losses were noted in Yugoslavia (88,000) and Hungary (53,000). Nonruling parties claiming gains in membership included the People's Party of Panama (a gain of almost 12,000), the illegal Communist Party of the Philippines (17,000), the Greek Communist Party (KKE, 8,000), and the Progressive Party of the Working People on Cyprus (AKEL, 3,000). The Italian Communist Party lost 122,000, and Norway's Communist Party (NKP) and Workers' Communist Party (AKP) each are estimated now to have some 4,000 fewer members.

Leadership of a number of parties changed during the year as a result of retirement, factional struggle, or unification of disparate movements. Advancing years seemed to be a principal factor in Canada, Cyprus, Indonesia, and to a considerable extent in Hungary. Party congresses or conferences in Grenada, Guadeloupe, Hungary, Spain, and Uruguay effected leadership changes.

During 1988, communist movements had to deal with parliamentary and/or presidential elections in 20 of the listed countries and regions. One of these was the People's Democratic Party of Afghanistan, which had no problem in coopting sypathizers from other small parties. Communists opted to boycott elections in Haiti, were banned in El Salvador, lost one seat each in Ecuador and Martinique, lost two each in Sweden and Venezuela, and gained three in San Marino.

We shall now turn to a more detailed discussion of major d evelopments, by region.

Sub-Saharan Africa. Self-proclaimed Marxist governments in Africa below the Sahara spent 1988 largely attempting to cope with economic problems that begged for practical solution, not revolutionary rhetoric these regimes, for the most part, looked to market solutions rather than the tenets of Marxism-Leninism to increase agricultural and industrial output. Political uncertainty or fighting preoccupied indigenous Marxists in Angola, Mozambique, and Ethiopia.[10] There was significant movement toward peace in southern Africa where the Marxist regimes in Angola and Mozambique moved toward reconciliation with their powerful neighbor, the Republic of South Africa (RSA).

Since independence, Angola's ruling party, the Popular Movement for the Liberation of Angola-Labor Party (MPLA-PT) has faced serious rebellion in the country's

Table 2: 1988 Party Congresses & Conferences

Country	Congress/conference	Date
	CONGRESSES	
Spain (PCE)	12th	Feb. 19–21
Guadeloupe	9th	Mar. 12–13
Zimbabwe ZANU-PT)	Extraordinary (3rd)	Apr. 9
Luxembourg	25th	Apr. 23–24
Great Britain (CPGB)	Extraordinary	Apr. 24
Grenada (MBPM)	2nd	May
Canada	27th	May 20–24
Finland (KPT)	1st	May 23–24
Belgium	Extraordinary	June 18
Malta	4th	July 15–17
Ecuador	11th	July 21–23
Guyana (PPP)	23rd	July 30–Aug. 1
Jamaica (WPJ)	4th	Sept.11–13
Costa Rica (PVP)	16th	Sept. 15–18
Australia (SPA)	6th	Oct. 3
Turkey (UCPT)	1st (founding)	Oct. 12–13
New Zealand (SUP)	8th	Oct. 22–24
Portugal	12th	Dec. 1–4
Uruguay	21st	Dec. 7–11
Colombia	15th	Dec. 12–15
India (CPM)	13th	Dec. 26–31
	CONFERENCES	
Bulgaria	National conference	Jan. 28–29
German Democratic Republic (SED)	National conference	May 15–19
Hungary (MSzMP)	National conference	May 20–22
Yugoslavia (SKJ)	National conference	May 29–31
Soviet Union	19th All-union Conference	Jun. 28–Jul. 1
Mozambique (FRELIMO)	National conference	Jul. 19
Bolivia	National conference	Jul. 30
Finland (SKP-Y)	National conference	Aug. 26–28
France	National conference	Nov. 12–13

[9]Unless otherwise noted, population data are from US Central Intelligence Agency, *The World Factbook 1988*, CPAS WF 88-001, Washington, DC, US Government Printing Office, 1988.

[10]See B. M. Zmeyev, *Politicheskaya ideologiya v stranakh tropicheskoy Afriki* (Political Ideology in the Countries of Tropical Africa), Leningrad, Izdatel'stvo Leningradskogo universiteta, 1988, pp. 91–105.

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southern region, mounted by the National Union for the Total Independence of Angola (UNITA). Each organization has received support from outside the country. Cuba dispatched combat and other troops numbering between 35,000 and 50,000 by 1988 to aid the embattled MPLA-PT regime. South Africa supported its ally UNITA with equipment, training, and, on some occasions, military incursions against joint Cuban-MPLA forces that moved south with tanks, aircraft, and artillery in attempts to dislodge the lightly armed UNITA rebels. A breakthrough in the conflict came in December when the Angolans, South Africans, and Cubans agreed to a complex 27-month phased withdrawal of Havana's troops in return for a South African grant of independence to Namibia and suspension of Pretoria's military assistance to UNITA.[11] UNITA chief Jonas Savimbi vowed to continue the war against the Luanda government.

Angola's efforts to restructure its economy appeared uncertain. A liberalizing program (*Saneamento Economico e Franancierо,* SEF) initiated by President Jose Eduardo dos Santos in late 1987, encountered problems in the People's Assembly. Meeting in February, the legislature failed to adopt a law establishing free-enterprise areas for the economy, but did approve other SEF-related legislation on foreign investment, state companies, planning, and the monetary system.[12]

The People's Republic of Mozambique continued the transition from a centralized Marxist economy to a system based on individual incentives announced in the Economic Rehabilitation Program (PRE) in January 1987. Government spokesmen noted higher levels of productivity during the past year.[13] The war against the rebel RENAMO (Mozambique National Resistance) movement appeared to moderate, as the army of the governing Front for the Liberation of Mozambique (FRELIMO) benefited from the assistance of military forces of Zimbabwe and Tanzania that had been deployed in strategic areas of the country. The Soviets and Cubans also continued to provide military material to the hard-pressed FRELIMO regime. However, the forces of RENAMO continued to confront government troops in many regions.

The People's Democratic Republic of Ethiopia was faced with the continuing insurgency of secessionist groups in Eritrea and Tigre. Unlike in Angola and Mozambique, in Ethiopia, the fortunes of the ruling party took a sharp turn for the worse. The liberation fronts representing Eritrea and Tigre scored victories over Ethiopian forces, killing or capturing thousands of soldiers.[14] President Mengistu Haile Mariam responded by executing his army generals for failure to halt the rebels, ordering all foreign relief workers out of Tigre and Eritrea, (exposing the two territories to starvation), and negotiating an end to the state of war with Somalia (a move that allowed Ethiopia to shift some 70,000 troops from its southern border to the rebellious north).

In domestic affairs, Mengistu, like other Marxist African leaders, strove to expand output by use of material incentives to producers. He increased the price paid to farmers for part of their grain harvest and allowed them to sell the balance. Additionally, he lifted internal controls, permitting development of a free market in food. The government, however, remained committed to the goal of creating a collectivized agricultural society by the year 2000. The regime also remained wedded to its relocation policy, which has attracted much international criticism in recent years. Under this program, tens of thousands of northern inhabitants have been uprooted forcibly and transported to the south as a means of denying the rebels a friendly population.

Elsewhere in Sub-Saharan Africa, too, economic problems plagued Marxist regimes. The People's Republic of the Congo, for example, facing critical negotiations with its foreign creditors, finally decided to undertake major changes in economic policy. The ruling Congolese Party of Labor marked for shutdown, sold to foreign interests, or transferred to mixed Congolese-foreign control a total of 76 of some 100 state-owned companies.[15] The regime also cut public expenditures by freezing employment in public-service activities and limiting salary increases there to the rate of inflation. Government troops captured and killed Pierre Anga, whose rebellion—raised in the north in September 1987—had posed a dangerous threat to the regime of Denis Sassou-Nguesso.

The People's Republic of Benin continued to encounter serious economic difficulties. To secure economic assistance from the International Monetary Fund and

[11]For the statute of the South-West Africa People's Organization (SWAPO), which will probably end up ruling Namibia, see Viktor Sovetov, *Mesto prestupleniya—Namibiya* (Scene of the Crime—Namibia), Moscow, Politizdat, 1986, pp. 97–101. The organization of SWAPO is patterned after that of the CPSU. See also Gorbachev's message to SWAPO in *Vestnik Ministerstva Inostrannykh Del SSSR* (Moscow), Jan. 15, 1989, p. 5. For the text of the Namibia pact and the Cuban accord, see *The New York Times,* Dec. 23, 1988.

[12]Luanda Domestic Service, Feb. 27, 1988, translated in Foreign Broadcast Information Service, *Daily Report: Africa (Sub-Sahara)* (Washington, DC—hereafter, cited as *FBIS-AFR*), Feb. 29, 1988, p. 5. For the dos Santos program, see Radio Luanda, Dec. 31, 1987, trans. in *FBIS-AFR,* Jan. 6, 1988, pp. 8–11..

[13]*Notícias* (Maputo), Apr. 2, 1988.

[14]*The New York Times,* Apr. 1, 1988.

[15]AFP (Paris), June 4, 1988, trans. in *FBIS-AFR,* June 9, 1988.

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The World Bank, the Marxist government moved to implement some austerity measures, including the dismantling of state enterprises and the privatizing of others. Salary cuts for civil servants and senior army officers touched off an attempted coup by a Captain Hountondji and some 15 fellow officers, resulting in the arrest of about 100 others. The government of Mathieu Kerekou faced pressure from both leftist and rightist officers who opposed his policies. In foreign affairs, Benin continued to strengthen ties with the Soviet Union, even while accepting aid from the West, especially France.

It surfaced during 1988 that Soviet observers have now included Madagascar's Congress Party for Malagasy Independence among the "vanguard" revolutionary democratic movements. It had previously not been accorded this status in Moscow's eyes.[16]

The ruling Zimbabwe African National Union-Patriotic Front (ZANU-PF) entered into a merger agreement with the major opposition party, the Zimbabwe African Political Union (ZAPU). At an extraordinary ZANU-PF congress held in early April, some 3,000 delegates approved the merger, establishing a de facto one-party state. Robert Mugabe is president of the reconstituted ZANU-PF, while Joshua Nkomo, his long-standing adversary and former leader of ZAPU, became one of two vice presidents of the united party.[17] The government announced an amnesty which elicited the surrender of over 100 ZAPU combatants. Mugabe implemented integration of ZANU and ZAPU political organs from the local to national levels to accomplish a reconciliation.

The new party affirmed its adherence to the principles of Marxism-Leninism. Even though its key leaders endorse mixed-economy policies, Mugabe's economic policies run counter to the continent-wide movement toward privatization, by having the government acquire greater control of local large-scale enterprises.[18] The government also announced its intention to make larger investments in "strategic" industries like mining and energy.

The nonruling Communist Party of Lesotho (CPL) continues its marginal and ambivalent existence. Though the party is formally illegal, its trade-union activities go forward as legal and accepted. In August 1988, the leftist Justice Minister Halaki Sello was dismissed by the government; earlier, he had been described as a former CPL member with pro-Soviet sympathies.[19] A week later, the government signed an economic and technical agreement with the People's Republic of China.

The South African Communist Party (SACP), which is banned and operates mainly from exile—remained committed to the goals of its 1984 program which, among other aims, stated that the SACP seeks to lead the working class to end capitalist exploitation and establish "a socialist republic based on the common ownership of the means of production" and to bring about the "destruction of the economic and political power of the racist ruling class."[20] In 1988, SACP commentators drew encouragement from the dramatic growth of campaigns against the apartheid policies of the government occurring during the mid-1980's. The SACP advocated paying special attention to blacks in "apolitical" organizations such as youth groups, women's clubs, sporting organizations, churches, and trade unions. The party also stressed the "activation of broad sectors of whites in various forms of opposition to the system."[21]

In Sudan, the Sudanese Communist Party (SCP) has become a visible part of the parliamentary opposition (it won five of 264 seats in the 1985 parliamentary election). The party advocates a reformist approach to change. This past year saw the SCP refuse to join a "government of reconciliation" formed by all other parties; this refusal was based on opposition to formal implementation of Islamic law in the Sudan. By year's end, the reconciliation government was fragmented.[22]

In Senegal, the several nonruling Marxist parties, including the Soviet-recognized Independence and Labor Party (PIT), fared poorly in the country's presidential and National Assembly elections on February 28. Neither PIT nor the Democratic League/Movement for the Party of Labor (LD/MPT) even fielded presidential candidates. While both groups slightly improved on their 1983 showing, it was the LD/MPT that came closest to winning a seat in the National Assembly under Senegal's system of proportional representation.[23] Some of the smaller Marxist factions declined to participate in the election.

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[16]See Agafonov and Khalipov, op. cit., p. 158; cf. V. V. Zagladin and G. A. Kiselev, Eds., *Politicheskiye partii: spravochnik* (Political Parties: A Handbook), Moscow, Izdatel'stvo Politicheskoy Literatury, 1986, pp. 244–45. It might be noted here that another Soviet study described the Congress Party for the Independence of Madagascar as "a revolutionary-democratic party, the leading role in which is played by Malagasy Marxists . . . . based on the ideas of scientific socialism." See Anatoliy Gromyko et al., Eds., *Strany Afriki* (The Countries of Africa), Moscow, Politizdat, 1988, p. 208.

[17]"In Brief Items," *World Marxist Review*, June 1988, p. 87.

[18]See the entry "Zimbabwe" in Gromyko, op. cit., pp. 161–67.

[19]Radio Umtata, Aug. 2, 1988, trans. in *FBIS-AFR*, Aug. 4, 1988, p. 4.

[20]*African Communist* (London), No. 114, 1988, pp. 73–74. Note the interview given by SACP National Chairman Dan Tloome over Moscow radio, Jan. 18, 1989, trans. in *FBIS-SOV*, Jan. 19, 1989, p.p. 33–34.

[21]*African Communist*, op. cit.

[22]*al-Maydan* (Khartoum), Dec. 13, 1988.

[23]*West Africa* (London), Mar. 7, 1988.

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Réunion experienced four elections during 1968, in all of which the Réunion Communist Party (PCR) played an active role. During the French presidential election, the PCR did not support the candidate of the French Communist Party (PCF), which it accused of eurocentrism; rather, the PCR backed the successful reelection of incumbent François Mitterrand. In May elections to the National Assembly, 24 candidates ran for Réunion's allotted five seats, and the PCR retained control of two. In October, the PCR ran candidates for 26 cantons among the 44 open for election and increased its representation from seven to nine in the General Council. The final balloting was a referendum on New Caledonia, in which Réunion supported the French government's program.

The Americas. Marxist-Leninist regimes maintained their control over Cuba and Nicaragua, and similar movements aspired to power elsewhere in the Western hemisphere. Most of these groups participated in the often fragile democratic systems of their countries either independently or, more frequently, in formal and informal alliances with other leftist groups. Nine of the region's communist parties held congresses during 1988 (more than ever before in a single year), and one held a conference; these were devoted in large part to electoral strategies. Even though several guerrilla movements waged wars against governments, all but the Shining Path in Peru proclaimed, with varying degrees of enthusiasm, their support for negotiated settlements to domestic conflicts.

On January 1, 1989, Fidel Castro celebrated the 30th anniversary of the Cuban revolution. The Soviet Union was represented by Vitaliy Vorotnikov, CPSU Politburo member and chairman of the RSFSR Supreme Soviet.[24] With the fall of Alfredo Stroessner in Paraguay in the same month, Castro is the only dictator in the hemisphere who has been entrenched in power for decades. Since his brother is the designated successor, Castro presides over the single remaining family dynasty in the Americas. Although many Latin leftists regard him as an anachronism, Castro remains the foremost communist in the Americas. At the end of December 1988, an international group of some 170 intellectuals called for a plebiscite in Cuba, to which a Havana foreign ministry spokesman retorted: "Absurd and inconceivable. Our people had a referendum 30 years ago on the day of the triumph of the revolution."[25]

Although for much of the year, reports suggested that human rights violations in Cuba were decreasing, the end of the year brought evidence to the contrary. Castro supposedly has ordered the millions of members of his Committees for the Defense of the Revolution to stop preparing reports on the activities of their neighbors, and several international human rights organizations were allowed to visit the island in 1988. However, Ricardo Bofill, long-time head of the Havana-based Cuban Committee for Human Rights, wrote at year's end that the foreign organizations "have done little more than scratch the surface" of human rights violations.[26]

The Cuban economy remains in shambles, with declining production and dropping foreign reserves offset only by an estimated $5.7 billion annually in subsidies from the Soviet Union.[27] Not only has Castro refused to decentralize the economy and loosen central controls, as Soviet leaders have suggested, he has increased the authority of the state and of the party. Persistent worker apathy suggests that the people lack enthusiasm under current conditions.

Through the party, Castro has vigorously promoted the "war of all the people"—a mass mobilization that has made Cuba one of the most militarized countries in the world. This is supposedly intended to forestall a US invasion, but is probably intended more to tighten control over an increasingly restive population and to discourage dissidents within the armed forces from challenging Castro's authority.

While scorning the reforms being pursued in the Soviet Union and China, Castro has maintained solidarity with numerous other Marxist governments and revolutionary groups. For example, he has continued substantial support for the Sandinista revolution in Nicaragua and for the Farabundo Martí Liberation Front (FMLN) guerrillas in El Salvador. He boycotted the Seoul Olympics out of solidarity with North Korea. At the end of 1988, Cuba did sign the agreement providing for Namibian independence and the withdrawal of some 50,000 of Cuba's troops from Angola by July 1991. Cuba's relations with the People's Republic of China have improved considerably in recent years, as indicated by Foreign Minister Isidoro Malmierca's visit to Beijing in January 1989.[28]

The regime in Managua celebrated the end of the

[24]"Conversations in Havana," *Pravda*, Jan. 6, 1989.
[25]*The New York Times*, Jan. 2 and 11, 1989.

[26]*The Wall Street Journal* (New York), Dec. 16, 1988; see also, *The Los Angeles Times*, Jan. 12, 1989.
[27]Central Intelligence Agency, *Handbook of Economic Statistics 1988*, CPAS 88-10001, Washington, DC, US Government Printing Office, September 1988, Table 157, p. 181.
[28]Radio Reloj (Havana), Jan. 16 and 18, 1989; trans. in Foreign Broadcast Information Service, *Daily Report: Latin America* (Washington, DC—hereafter, *FBIS-LAT*), Jan. 19, 1989, p. 2.

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Reagan Administration, even as Nicaragua's problems mounted. Although armed conflict between the Sandinistas and the Contra resistance virtually ceased during 1988, the relative peace brought anything but prosperity. Amidst a series of what the Sandinista newspaper *Barricada* called "adjustments," prices soared. Black markets to a considerable degree sustained the people, and inflation had rocketed to 36,000 percent by January 1989. At the end of that month, President Daniel Ortega announced a severe austerity plan which included laying-off up to 35,000 government functionaries, including 10,000 from the military and 13,000 from the security police.[29]

Sandinista repression increased during the year, most evident in the brutal smashing of a peaceful demonstration at Nandaime in July, but also seen in numerous lesser incidents. The weekly newspaper of the small, pro-Chinese Nicaraguan Communist Party, part of the united front of organizations from left to right condemning the Sandinistas, wrote: "The police and courts are highly efficient in fabricating false proofs and jailing workers, peasants, employees, and managers, whose only fault is having independent political views and denouncing the daily abuses suffered by citizens."[30]

Sandinista relations with the Soviet bloc remained strong, while those with the United States deteriorated and then, perhaps, improved somewhat. American military aid to the Contras ended in February 1988, and the Sandinista regime sent troops into Honduras during March in an unsuccessful effort to destroy Contra arms supplies. In July, the Sandinistas accused the US embassy in Managua of having plotted the "riots" at Nandaime and expelled the American ambassador and some of his staff. The US retaliated in kind. When Ronald Reagan left office, the Sandinistas lifted their virtual siege of the US embassy and called for a revival of the defunct Arias Peace Plan.[31]

Elsewhere in Central America, a number of communist groups engaged in armed conflict while talking periodically of peace. In El Salvador, the substantial gains registered by the right-wing ARENA party in legislative elections threw the ruling Christian Democrats into confusion and opened the door to FMLN ploys to advance the front's cause. In February 1988, the FMLN described its strategy as follows: "to annihilate and wear down enemy forces, sabotage the war economy, and destabilize and dismantle local and judicial authority."[32] The guerrillas' activities included a campaign of sabotage, which the US embassy estimates has caused $2 billion in economic losses over the past seven years; promotion of urban confrontations through such front groups as the National Union of Salvadoran Workers; several major attacks on military bases; blockades of transportation and mining roads; and assassination and intimidation of local elected government officials. For a while, the guerrillas threatened to make US citizens targets of attacks, but this idea appears to have been dropped by early 1989.[33]

At the same time, Salvadoran guerrilla leaders traveled in the region promoting their positions with noncommunist politicians. For the first time, this could be done with some consistency, because during the year the FMLN consolidated its organization under the undisputed leadership of the People's Revolutionary Army and its chief, Joaquín Villalobos. In February 1989, the FMLN said that if the government would postpone the March elections until September, the guerrillas would participate in the electoral process and abide by the people's will. The guerrillas would support the Democratic Convergence coalition, headed by Guillermo Ungo and Ruben Zamora, who have long headed the FMLN's political front.[34]

Guerrilla groups in Guatemala, united under the banner of the Guatemalan National Revolutionary Unity (URNG), lay spurious claim to being "a real force" in the country. Although some military engagements took place during the year, the guerrillas devoted more attention to a publicity campaign in Guatemala and abroad portraying the country's military as the principal obstacle to peace.[35]

Honduras has long been a haven for both the Nicaraguan resistance and FMLN sympathizers, though there have been few military encounters in the country. During 1988, particularly after the legally dubious arrest and extradition to the United States in April of drug dealer Juan Ramón Matta, attacks increased on US personnel and facilities, as well as on Hondurans who support American policies. In Costa Rica, the communists, who split some time ago, have continued to participate in legal politics, but have recently found it difficult to cooperate in order to maximize the leftist vote.

In Panama, the communist People's Party (PdP) supports the increasingly anti-US rhetoric of Defense

[29]*The New York Times*, Jan. 31 and Feb. 5, 1989.
[30]*Avance* (Managua), Nov. 9, 1988.
[31]*The New York Times*, Feb. 8, 1989.
[32]Radio Venceremos, Feb. 11, 1988, trans. in *FBIS-LAT*, Feb. 19, 1988, p. 13.
[33]*El Nuevo Herald* (Miami), Feb. 2, 1989.
[34]*The New York Times*, Feb. 7, 1989; *The Los Angeles Times*, Feb. 8, 1989. The FMLN initiative was foreshadowed in late 1988, when Ungo stated that "an election dynamic is opening up" in El Salvador. See *La Unidad* (Mexico City), Nov. 20, 1988, trans. in *FBIS-LAT*, Jan. 10, 1989.
[35]*Barricada Internacional* (Managua), Sept. 8, 1988.

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Forces chief Manuel Antonio Noriega and, thus, almost certainly will support his presidential candidate, Democratic Revolutionary Party (PRD) leader Carlos Duque in the 1989 election. The PRD, in effect Noriega's party in Panama's captive legislature, has long been strongly influenced by the Marxist-Leninist left, and is becoming more so as the US-Panamanian conflict drags on inconclusively. In September, Karen Brutents (first deputy chief of the CPSU International Department) visited Panama for the third time in four years and met with leaders of the PdP and the PRD. Noriega continues to rely on personal security forces and advisors from Cuba, and has been improving ties with the Sandinistas and other leftist and terrorist regimes.

Colombia has had problems with guerrillas for decades, and in recent years, the guerrillas have found common cause with the drug dealers who have already undermined much of the country's judicial and security systems.[36] More than 3,600 people were killed in political violence during 1988, and 544 kidnapped Colombians remained unaccounted-for at year's end. Rightist death squads are active as a response to the leftist/narco terrorists.

As in years past, the Colombian government tried to negotiate with the guerrillas for an end to domestic unrest. Periods of optimism were followed by renewed fighting. Even as the government reportedly concluded an initial peace agreement with one group (the M-19), the military announced a major offensive against the Revolutionary Armed Forces of Colombia (FARC), the armed branch of the Colombian Communist Party (PCC). Violence escalated in early 1989, with one terrorist attack taking the lives of 12 members of the judicial system in Santander Department.[37]

Colombian intelligence reported that Cuban advisors are involved with several of the Colombian guerrilla groups, and Enríque Gómez, former Ambassador to Washington, says that when his brother, former Conservative Party presidential candidate Alvaro Gómez was kidnapped in May, the first person to be contacted in the effort to free him was Fidel Castro.[38] Despite the extensive guerrilla activity in the country, the Colombian Communist Party does participate in electoral politics through a leftist coalition, the Patriotic Union.

Ecuadorian communists participated in the 1988 presidential election through the United Leftist Front (FIU), which includes the Broad Leftist Front (FADI) of the pro-Soviet Communist Party of Ecuador (PCE) and the Democratic Popular Movement (MPD), founded years ago by pro-Chinese Marxists. The FADI and MPD won two seats each in the national congress. In the runoff presidential election, the PCE supported the winning social democratic Rodrigo Borja and has given cautious support to his government.

Peru boasts what is probably the broadest, but also most inherently unstable of Latin America's leftist fronts—the United Left (IU). The Peruvian Communist Party (PCP) works with the more moderate members of the IU, what is called the Socialist Convergence (COSO)—a group that has supported some of APRA (American Popular Revolutionary Alliance) President Alan Garcia's political (but not his recent economic) programs, while openly condemning Shining Path (Sendero Luminoso) terrorism. The Shining Path, which held a congress in February, shifted its strategy and tactics somewhat in 1988, moving from pursuit of protracted rural war to promotion of urban revolution. Sendero members and supporters have precipitated violent showdowns with the authorities in the course of urban demonstrations mounted by other leftist groups, and they even marched through Lima under their own banner in May. Sendero activities now routinely include selective assassinations—aimed primarily at government authorities (including police) and political leaders—and economic sabotage. Sendero proposes to disrupt the 1990 elections, if possible.

The Chilean Communist Party—in the late 1960's and early 1970's a model for electoral participation—had trouble deciding whether or not to participate in the October plebiscite on an additional term for President Augusto Pinochet. Ultimately, it encouraged its members to vote, though it did not cooperate openly with other parties. The Communists continue to support terrorists of the Manuel Rodríguez Patriotic Front and advocate both violent and nonviolent forms of struggle. Stumbling-blocks to broad leftist participation in the 1989 election are the constitutional provision outlawing the Communist Party and the government's refusal to talk with groups that seem to be fronts for the party.[39]

Prospects for communist groups in South America's two largest countries are quite dim. In Brazil, with its rapidly deteriorating economy, the formal communist parties have little success on their own. The factionalized Workers' Party, somewhat like the Peruvian IU, wins more votes and elects a significant number of can-

[36]Amb. Enrique Gómez, "Drugs: A Strategic Weapon," paper delivered at a National Defense University conference in Washington, DC (October 1988); and Rachel Ehrenfeld, "Narco-terrorism and the Cuban Connection," *Strategic Review* (Washington, DC), Summer 1988, pp. 55–63.

[37]Bogotá Inravision Television Cadena, Jan. 11, 1989, and AFP (Paris), Jan. 12, 1989, trans. in *FBIS-LAT*, Jan. 12, 1989, pp. 25–26; and Bogotá Emisoras Caracol Network, Jan. 19, 1989, trans. in *FBIS-LAT*, Jan. 23, 1989, p. 42.

[38]Gómez, loc. cit.

[39]*The New York Times*, Jan. 30, 1989.

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didates but is too diffuse to function as a unified party. Communists in Argentina have always been totally upstaged by the Peronists in worker and other movements, and so they were again in 1988 as the Peronista party positioned itself to win the 1989 presidential election. Remnants of a 1970's Trotskyist guerrilla group attacked a military base in January 1989.

Other South American countries in which Marxist-Leninists focus most of their attention on elections include (1) Bolivia, where the Communist Party and other groups have uncharacteristically joined the United Left in anticipation of the May 1989 elections; (2) Uruguay, where the communists expect to participate in 1989 elections through the Broad Front; (3) Venezuela, where the Communist Party and its ally, the People's Electoral Movement, received less than one percent of the vote in 1988, while the more moderate Movement To Socialism (MAS) did significantly better; (4) Guyana, where Cheddi Jagan's People's Progressive Party continues to be outmaneuvered by the perpetually ruling People's National Congress; and (5) perhaps Paraguay, if elections are actually held there following the fall of General Stroessner.

Other countries where communist groups focus on elections include (1) Mexico, where the communists, the dominant force in the Mexican Socialist Party, threw their support behind the dissident presidential candidate, Cuauhtémoc Cárdenas, in the July elections, and now exercise some influence on him as advisors; (2) the Dominican Republic, where the communists may support the 1990 presidential bid of Juan Bosch; (3) Guadeloupe and Martinique, where communists have some legislative representation and where the primary political concern is the potential negative consequences for the territories of West European integration; (4) Grenada, where a charismatic young leader, Terrence Marryshow, has taken over the Maurice Bishop Patriotic Movement and seeks closer ties to the democratic left; (5) Jamaica, where the recently split and debilitated communist movement, the Workers' Party, pondered a 1989 election in which it would have no impact; (6) Haiti, where the communists boycotted the January 1988 election and later in the year proposed a popular front government to set the stage for elections;[40] (7) Canada and the United States, where communist parties ran some candidates (in the US the party supported "independent" candidates rather than running its own) but with no significant national impact.

Several international conferences of leftist groups were held in the Western hemisphere in 1988, including the 3rd meeting of communist parties from South America, in Montevideo during August; and the Anti-Imperialist Organization of Central America and the Caribbean, involving dozens of leftist organizations from the Caribbean Basin, in June in Panama City.

Asia and the Pacific. Communist regimes in this region continued to experience severe economic difficulties as well as challenges from within and without to revitalize their systems of public ownership and collectivist rule.

It was a particularly bad year for the Chinese Communist Party (CCP). Disillusionment with reform policies deepened as inflation worsened and corruption became more pervasive. One retired party cadre, recalling having fought the Japanese and the Kuomintang and having worked hard to rebuild the country in the 1950's, asked: "What was it all for? For a lousy single roll of rationed toilet paper a month?"[41]

At the 3rd Plenum of the 13th CCP Central Committee, held in late September, General Secretary Zhao Ziyang tried to explain what had gone wrong. Excessive demand and acute supply shortages had produced an inflation rate above 20 percent, and the state would have to cut back demand and check inflation by placing price reforms on hold. State investment in fixed assets would be reduced by 50 billion yuan in 1989, to a level some one-fifth less than in 1988.[42] Consumption was to be curtailed and the money supply brought under tight control. But it was not clear whether the party could cope with the new economic independence of the provinces, which are reportedly no longer willing to toe the center's line.[43]

Chinese dissidents like Ren Wanding, recently freed from prison, vowed to press for more human rights.[44] The controversial television series "River Elegy" (*Heshang*), shown in June, was warmly praised by younger political leaders, but was then severely condemned by Vice-Minister Wang Zhen in September.[45] As demands for democracy, more openness, and greater reform intensify, the party will find it increasingly difficult to justify its monopoly of power and its failure to build a prosperous socialism.

China fared somewhat better in foreign affairs. On

[40]Port-au-Prince Radio Nationale, Jan. 10, 1989, trans. in *FBIS-LAT*, Jan. 18, 1989.

[41]Ellen Salem, "Things Fall Apart, the Centre Cannot Hold," *Far Eastern Economic Review* (Hong Kong), Oct. 27, 1988, p. 37.

[42]*Beijing Review*, Nov. 14–20, 1988, pp. III–IV.

[43]Salem, loc. cit., pp. 38–39; Nicholas D. Kristof, "Beijing Authority Being Challenged by Local Powers," *The New York Times*, Dec. 11, 1988.

[44]Ibid., Nov. 27, 1988.

[45]Salem, loc. cit., pp. 37–38; Geremie Barme, "TM Requiem for the Myths of the Middle Kingdom," *Far Eastern Economic Review*, Sept. 1, 1988, pp. 40–45.

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December 2, the Chinese foreign minister, Qian Qichen, met Mikhail Gorbachev in Moscow, and both sides agreed on a Sino-Soviet summit meeting, which later was scheduled for May 15–18, 1989.[46]

In Vietnam, the economy continued to suffer severe shortages. In a move to ease the regime's defense burden, all Vietnamese civilian advisors and nearly three-quarters of Hanoi's military forces were reported to have left Cambodia by mid-December. All Vietnamese troops are supposed to be withdrawn by the end of calendar year 1989. They will be obligated to leave Cambodia even earlier, i.e., by September 1989, if Hanoi's conditions are met concerning extablishment of a coalition government in Phnom Penh.[47]

In July 1988, a flurry of exchanges between North and South Korea brought the two regimes closer than ever before to serious discussion. The National Assembly speaker from South Korea sent a letter to his counterpart in the North, proposing exchanges. The latter responded by proposing a nonaggression pact. The South eventually agreed to a meeting between its 299 national legislators and the 655 members of North Korea's Supreme People's Assembly, provided that both sides could agree upon a date.[48] One unsolved mystery during the year was the abrupt replacement of Oh Guk Ryol as army chief of staff in Pyongyang.[49] It is not clear whether Oh has retained his membership on the Politburo of the ruling Korean Workers' Party.

Recently captured documents of the Communist Party of the Philippines (CPP) revealed a multimillion-dollar network to finance the purchase of arms.[50] These materials also described how the CPP's guerrilla force, the New People's Army (NPA), intended to increase operations during 1989 and promote a "revolutionary mass movement." The party apparently had been able to double its budget since 1987, and members eagerly sought to buy more weapons. The NPA already has small guerrilla base areas in Samar, Albay province of southern Luzon, Misamis Oriental, Agusan province of northeastern Mindinao, and three northern Luzon provinces—Cagayan, Ilocos Norte, and Kalinga-Aapayao. The NPA is also supposed to have acquired some Soviet-manufactured RPG–7-type grenade launchers.[51]

Relations between the Japan Communist Party (JCP) and the CPSU continue to be strained, primarily because of the latter's continued attempts to woo the socialists in Japan. After talks with the CPSU in Moscow, the JCP sent a letter in July describing such Soviet actions as "an expression of great-power chauvinism."[52] The JCP is also critical of Moscow's unyielding stand on the four northern territories seized from Japan at the end of World War II and still occupied by the Soviet Union.

The Communist Party of India-Marxist (CPI-M) has been critical of Soviet foreign policies; it sees Gorbachev's "new thinking" as selling out the international class struggle for better relations with the Indian and US governments. Talk about healing the split between the weaker CPI and the stronger CPI-M ended when the latter clarified that the discussions which had been going on between the two parties regarded "unity" and not "unification."[53]

The Middle East. Attempts by the ruling People's Democratic Party of Afghanistan (PDPA) to project authority and legitimacy became steadily more desperate in the wake of Gorbachev's dramatic promise to completely withdraw all Soviet military forces by mid-February 1989 and his evident intent to live up to the commitment. The discredited PDPA's frantic and chameleon-like attempts to obscure its Marxist coloration with Afghan traditionalism not only failed to attract cooperation from any opposition groups but alienated many of the party's small core of militants. At the same time, the Kabul regime has suffered embarrassing high-level defections, including that of President Najibullah's brother Siddiqullah; a cousin of Najibullah, Brigadier General Mohammed Gul (who said that many other key leaders would leave if they could); and a deputy foreign minister who requested asylum in the United States.[54]

As the hollowness of PDPA reports became ever more obvious, Soviet media began instituting a *glasnost'* policy regarding developments in Afghanistan. Against earlier PDPA claims to control all province capitals and major districts, all 45 cities, and 55 percent of the villages,[55] the Soviet press revealed that PDPA organizations function only in 900 out of about 23,000 villages.[56] Najibullah's boast of having 500,000 men under arms provoked comment in Moscow that Afghan government propaganda was "partly marked by indiscriminate optimism."[57]

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[46]*The New York Times*, Feb. 6, 1989.
[47]Ibid., Jan. 26, 1989; also, "Statement of Vietnamese Minister," *Krasnaya Zvezda* (Moscow), Jan. 22, 1989.
[48]*Far Eastern Economic Review*, Aug. 4, 1988, p. 14.
[49]Ibid., Apr. 7, 1988, p. 38.
[50]Ibid., July 28, 1988, p. 12.
[51]Ibid., p. 13. See also *The New York Times*, Jan. 15, 1989.
[52]Devlin, loc. cit., p. 4.
[53]Ibid.; *Pravda*, Jan. 6, 1989.
[54]AFP (Paris), Oct. 25, 1988; *San Francisco Chronicle*, Nov. 18, 1988.
[55]Bakhtar, Jan. 14, 1988, trans. in Foreign Broadcast Information Service, *Daily Report: Near East & South Asia* (Washington, DC—hereafter, FBIS-NES), Jan. 15, 1988, p. 47.
[56]Joint Publications Research Service, *Soviet Union: International Affairs* (Washington, DC), JPRS-UIA-88-018, Nov 23, 1988.
[57]*Pravda*, May 26, 1988, trans. in *FBIS-SOV*, June 1, 1988, p. 26.

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Checklist of Communist Parties in 1988

L — legal; O — outlawed; R — ruling; U — unrecognized

Sub-Saharan Africa[a]	Mid-1987 population[b]	Party membership	Party leader[c]	Last congress	Legal status	Percent of vote last elect. (date); seats in legis.[d]
A. Angola (MPLA-PT)	8,236,461	45,000 claimed	José Eduardo dos Santos	2nd, Dec. 9–11, 1985	R	— (1980); all 203 MPLA approved
B. Benin (PRPB)	4,497,150	Less than 2,000	Mathieu Kérékou (Chairman, CC)	2nd, Nov. 18–24, 1985	R	— (1984); all 196 PRPB approved
C. Congo (PCT)	2,153,685	8,679 claimed	Denis Sassou-Ngouesso	3rd, July 23–30, 1984	R	95.0 (1984); all 153 PCT approved
D. Ethiopia (WPE)	48,264,570	50,000 claimed	Mengistu Haile Mariam	1st (Const.), Sept. 6–10, 1984	R	85.0 (1987); all 835 WPE members
1. Lesotho	1,666,012	No current data	Jacob M. Kena	7th, "early 1987"[e]	U	(1985)[f]
E. Madagascar (AKFM)	11,073,361	60,000 claimed	Richard Andria-manjato	n/a	L	— (1983); 9 of 137
F. Mozambique (FRELIMO)	14,947,554	130,000 claimed	Joaquim Albert Chissano (Pres.)	4th, Apr. 26–29, 1983	R	— (1986); incomplete tally
2. Nigeria (SWPP) (prob. defunct)	100,694,000[g]	No current data	Dapo Fatogun	1st, Nov. 1978	O	(1983)
3. Réunion	557,441	2,000 est.	Paul Vergès	5th, July 12–14, 1980	L	35.0 (1988); 13 of 44 to leftist coalition (9 for PCR)
4. Senegal (PIT)	7,281,022	No current data	Amath Dansoko	2nd, Sept. 28–Oct. 2, 1984	L	0.8 (1988); none
5. South Africa	35,093,971	No current data	Joe Slovo (in exile)	6th, Dec. 1984 or early 1985 in London	O	(1984)
6. Sudan	24,014,495	9,000 est.	Muhammad Ibrahim Nugud Mansur	4th (legal), Oct. 31, 1967	L	1.67 (1986); 5 of 301[h]
G. Zimbabwe (ZANU-PF)	9,730,000	No current data	Robert G. Mugabe (President)	3rd, Apr. 9, 1988 (extraord.)	R	76.0 (1987); 77 of 100[i]

The Americas[a]	Mid-1987 population[b]	Party membership	Party leader[c]	Last congress	Legal status	Percent of vote last elect. (date); seats in legis.[d]
7. Argentina	31,532,538	80,000 est.	Athos Fava	16th, Nov. 4–7, 1986	L	5.3 (1987); none (in Broad Front coal.)[j]
8. Bolivia	6,448,297	500 claimed	Humberto Ramirez *(majority faction)* Carlos Soria Galvarro (minority)	5th, Feb. 9–13, 1985; Extraordinary, Apr. 26–29, 1986	L	2.21 (1985); 4 of 130 FPU coalition

[a]Arabic numerals indicate the 96 countries or geographic areas in which Moscow apparently recognizes the existence of communist parties. Listed with capital letters "A" through "M" are 13 countries in which there are significant "revolutionary democratic"parties (a majority of them ruling)—organizations on the verge of evolving into full-fledged communist parties in Moscow's eyes. In italics are several other important rival communist organizations, often pro-Beijing, that are not recognized by Moscow.

[b]Drawn from US Central Intelligence Agency, *The World Factbook 1988*, CPAS WF 87-001, Washington, DC, US Government Printing Office, 1988, unless otherwise noted.

[c]The individual listed is the most important party leader—the first secretary, secretary general, or general secretary, unless otherwise noted in parentheses.

[d]An em dash indicates that the communist party was legal and presumably participated in the election but the percentage of the vote received is not known. Where the party did not participate, the year of the most recent election (where the legislature still sits) is given in parentheses.

[e]See *World Marxist Review* (Toronto), November 1987, p. 95. This account ignores a previously mentioned November 1984 congress of the CPL (see, for example, *African Communist* [London], 3rd Quarter 1985).

[f]Although individual party members are allowed to operate legally, the party itself is illegal and did not participate in the 1985 elections.

[g]Arthur S. Banks, Ed., *Political Handbook of the World 1988*, Binghamton, NY, CSA Publications, 1988, p. 431.

[h]These included two elected from territorial constituencies and three elected by graduates of universities and technical schools.

[i]Elections to the 30 seats formerly reserved for the white population increased the representation of ZANU-PF in the 100-member legislature from 64 to 77.

[j]The party also failed to win any seats in the September 6, 1987, parliamentary and provincial by-elections.

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The Americas[a] (cont.)	Mid-1987 population[b]	Party membership	Party leader[c]	Last congress	Legal status	Percent of vote last elect. (date); seats in legis.[d]
9. Brazil	150,685,145	120,000 claimed[k]	Salomão Malina (Chairman)	8th (called Natl. Meeting of Communists), July 17–20, 1987	L	— (1986); 2 of 487
10. Canada	26,087,536	3,000 est.	George Hewison (Gen. Secretary)	27th, May 20–24, 1988	L	.05 (1988); none
11. Chile	12,638,046	20,000 est.	Luís Corvalán Lepe (in exile)	16th, June 1984 (clandestine)	O	n/a
12. Colombia	31,298,803	18,000 est. (incl. youth org.)	Gilberto Vieira White	15th, Dec. 12–15, 1988	L	1.4 (1986); 9 of 199, Patriotic Union
13. Costa Rica (PVP)	2,888,277	7,500 est. (for all leftist parties)	Humberto Vargas Carbonell	16th, Sept. 15–18, 1988	L	0.8 (1986); 1 of 57, Popular Alliance
(PPC)			Manuel Mora Valverde (to Feb.) Lenin Chacón Vargas	15th, Aug. 23–24, 1987	L	— (1986); 1 of 57, United People's coalition
14. Cuba	10,353,932	500,000 est.	Fidel Castro Ruz	3rd, Feb. 4–7, and Nov. 30–Dec. 2, 1986	R	— (1986), all 499 PCC approved
15. Dominican Republic	7,136,748	750 est.	Narciso Isa Conde	3rd, Mar. 15–17, 1984	L	0.3 (1986); none
16. Ecuador	10,231,630	750 est.	René Maugé Mosquera	11th, July 21–23, 1988	L	3.6 (1988); 2 of 71, Broad Leftist Front (FADI)
PCE-ML		*200 est.*	*Jaime Hurtado Gonzalez, (Nat. Director, MPD)*			*Participates as MPD, which won 2 seats*
17. El Salvador	5,388,644	1,000 est.	Shafik Jorge Handal	7th, Apr. 1979	O	(1988)
H. Grenada (MBPM)	84,455	No current data	Kenrick Radix (Chairman, to May) Terrence Marryshow	2nd, May 1988	L	5.0 (1984); none
18. Guadeloupe	338,730	3,000 est.	Guy Daninthe (to March) Christian Céleste	9th, Mar. 12–13, 1988	L	— (1988); 22 of 42, to left coalition (10 to PCG)
19. Guatemala (PGT)	8,831,148	250 est.	Carlos González Orellana[l]	4th, Dec. 1969	O	(1985)
20. Guyana (PPP)	765,796	200 est.	Cheddi Jagan	23rd, July 30–Aug. 1, 1988	L	16.8 (1985); 8 of 53 elected members
21. Haiti (PUCH)	6,295,570	350 est.	René Théodore	1st, 1979	L	(1988); boycotted
22. Honduras	4,972,287	100 est.[m]	Rigoberto Padilla Rush (in exile)[n]	4th, Jan. 1986 (clandestine)	O	(1985)
23. Jamaica (WPJ)	2,458,102	100 est.	Trevor Munroe	4th, Sept. 11–13, 1988	L	— (1983); boycotted
24. Martinique	351,105	1,000 est	Armand Nicolas	9th, Dec. 12–13, 1987	L	— (1988); 2 of 45
25. Mexico (PMS)	83,527,567	No data	Gilberto Rincón Gallardo	1st, Nov. 25–29, 1987		— (1988); (presidential election)
26. Nicaragua (PSN)	3,407,183	No current data	Gustavo Tablada	10th, Oct. 1973	L	1.3 (1984); 2 of 96
I. (FSLN)		1,400 est.	Daniel Ortega (Coordinator) Exec. Committee	FSLN Assemb. Aug. 1985	R	63.0 (1984); 61 of 96
27. Panama (PdP)	2,323,622	25,600 claimed	Rubén Dario Souza	8th, Jan 24–26, 1986	L	— (1984); none

[k]From a letter by Salomão Malina to the editors of *YICA*.
[l]González leads the "Camarilla" faction; Daniel Rios leads the National Leadership Nucleus Faction of armed revolutionary dissidents.
[m]The Honduran CP is one of six organizations in the Honduran Revolutionary Movement, formed in 1982.
[n]Although Padilla, in exile, claims to be the leader, there is strong evidence that Mario Sosa Novarro is really in charge within the country.

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The Americas[a]	Mid-1987 population[b]	Party membership	Party leader[c]	Last congress	Legal status	Percent of vote last elect. (date); seats in legis.[d]
28. Paraguay	4,386,024	4,000 est.	Júlio Rojas (acting)[o]	3rd, Apr. 10, 1971	O	(1988)
29. Peru	21,269,074	2,000 est.	Jorge del Prado Chavez	9th, May 27–30, 1987	L	26.0 (1985); 48 of 180 to Unit. Left coal. (6 PCP)
30. Puerto Rico	3,358,879	100 est.	Frank Irrizarry	Unknown	L	(1988); (no cand.)
J. Suriname (RVP)	*394,999*	*No current data*	*Michael Naarendorp*		*L*	*n/a (1987)*
31. United States of America	246,043,000	20,000 claimed	Gus Hall	24th, Aug. 13–16, 1987	L	(1988); (no cand.)
32. Uruguay	2,976,138	11,000 claimed	Jaime Perez Gerschuni	21st, Dec. 7–11, 1988	L	6.0 (1984); none to Frente Amplio
33. Venezuela	18,775,780	4,000 est.	Alonso Ojeda Olaechea	7th, Oct. 24–27, 1985	L	2.0 (1988); 1 of 203

Asia and the Pacific[a]	Mid-1987 population[b]	Party membership	Party leader[c]	Last congress	Legal status	Percent of vote last elect. (date); seats in legis.[d]
34. Australia (CPA)	16,260,936	1,000 est.	Judy Mundey (President)	29th, June 6–8, 1987	L	0.3 (1987); none
(SPA)		500 est.	Peter Dudley Symon	6th, Oct. 3, 1988	L	negl. (1987); none
35. Bangladesh	109,963,551	5,000 claimed	Saifuden Ahmed Manik	4th, Apr. 7–11, 1987	L	(1988)
36. Burma	39,632,183	3,000 claimed	Thakin Ba Thein Tin (Chairman, CC)	3rd, Sept. 9–Oct. 2, 1985	O	n/a
37. Cambodia (KPRP)	6,685,592	9,000 est.	Heng Samrin	5th, Oct. 13–16, 1985	R	99.0 (1981); all 117
(PDK or KCP)		*No current data*	*Pol Pot*	*3rd, Dec. 14, 1975*	*O*	*n/a*
38. China	1,088,169,192[p]	47,000,000 claimed	Zhao Ziyang	13th, Oct. 25–Nov. 1, 1987	R	— (1987); all 3,202 CCP approved
39. India (CPI)	816,828,360	479,000 claimed	C. Rajeswara Rao	13th, Mar. 12–17, 1986	L	2.71 (1984); 6 of 544
(CPM)		450,000 claimed	E.M.S. Namboodiripad	13th, Dec. 26–31, 1988	L	5.96 (1984); 22 of 544
40. Indonesia	184,015,906	1,500 est. (+ ca 200 exiles)	Jusuf Adjitorop (pro-Beijing) Thomas Sinuraya (pro-Moscow)	7th Extraord., April 1962	O	n/a
41. Japan	122,626,038	470,000 est.	Hiromu Murakami (Chairman of Presidium) Kenji Miyamoto (Chairman of CC	18th, Nov. 26–28, 1987	L	9.47 (1986); 27 of 512
42. Korea, North (KWP)	21,983,795	2,500,000 est.	Kim Il-song	6th, Oct. 10–15, 1980	R	100 (1986); all 706 KWP approved
43. Laos (LPRP)	3,849,762	40,000 claimed	Kaysone Phomvihane	4th, Nov. 13–15, 1986	R	(1975); 46-member Sup. Peop. Ass. all LPRP apptd.
44. Malaysia (CPM)	16,309,306	1,650 est.[q]	Chin Peng	Last known, in 1965	O	(1984)
(MCP)		*800 est.*	*Ah Leng*	*Unknown*	*O*	*(1984)*

[o]Secretary general Antonio Maidana Palacios has been in prison since 1980.
[p]The Beijing Central Office of Statistics estimates the population at 1,072,330,000.
[q]Includes an estimated 350 members operating in Singapore.

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Asia and the Pacific[a]	Mid-1987 population[b]	Party membership	Party leader[c]	Last congress	Legal status	Percent of vote last elect. (date); seats in legis.[d]
45. Mongolia (MPRP)	2,067,624	88,150 claimed	Jambyn Batmonh	19th, May 28–31, 1986	R	93.5 (1986); 346 of 370 MPRP apprvd.
46. Nepal	18,252,001	10,000 est.[r]	Man Mohan Adhikary	3rd (pre-split),[s] 1961	O	n/a
47. New Zealand (CPNZ)	3,343,339[t]	50 est.	Harold Crook	23rd, Apr. 22, 1984	L	— (1987); none
(SUP)		300 est.	George H. Jackson (President)	8th, Oct. 22–24, 1988	L	— (1987); none
48. Pakistan	107,467,457	Less than 200 est.	Ali Nazish	1st, 1976 (cland.)	O	(1988)
49. Philippines (PKP)	63,199,807	5,000 est.	Felicismo Macapagal (Chairman)	9th, Dec. 1986	L	(1987)
(CPP)		*32,000 est.*	*Rafael Baylosis (Gen. Secretary)* *Jose Maria Sison (Chairman)*	*9th, Jan. 1987*	O	*(1987); boycotted (participated via Bayan Party)*
50. Sri Lanka	16,639,695	5,000 est.	Kattorge P. Silva	13th, Mar. 22–26, 1987	L	1.9 (1977); 1 of 168
51. Thailand	54,588,731	250 est.	Thong Jaensri (?)	4th, March–Apr.1984 (cland.)	O	n/a
52. Vietnam	65,185,278	2,120,000 claimed	Nguyen Van Linh	6th, Dec. 15–18, 1986	R	98.8 (1987); 496 of 614; all 614 VCP endorsed

Eastern Europe and the USSR[a]	Mid-1987 population[b]	Party membership	Party leader[c]	Last congress	Legal status	Percent of vote last elect. (date); seats in legis.[d]
53. Albania (PPSh)	3,147,352	147,000 claimed	Ramiz Alia	9th, Nov. 3–8, 1986	R	100 (1987); all 250 Democratic Front
54. Bulgaria	8,966,927	932,055 claimed	Todor Zhivkov	13th, Apr. 2–5, 1986	R	99.9 (1986); all 400 Fatherland Front
55. Czechoslovakia	15,620,722	1,705,490 claimed	Miloš Jakeš	17th, Mar. 24–28, 1986	R	99.94 (1986); all 350 National Front
56. Germany (East) (SED)	16,596,875	2,324,995 claimed	Erich Honecker	11th, Apr. 17–21, 1986	R	99.94 (1986); all 500 National Front
57. Hungary (MSzMP)	10,588,271	816,622 claimed	János Kádár to May 19) Károly Grósz	13th, Mar. 25–28, 1985	R	98.9 (1985); all 352 Pat. Peop. Front
58. Poland (PZPR)	37,958,420	2,200,000 est.	Wojciech Jaruzelski	10th, June 29–July 3, 1986	R	78.8 (1985); all 460 Fatherland Front
59. Romania	23,040,883	3,709,735 claimed	Nicolae Ceauşescu	13th, Nov. 19–22, 1985	R	97.8 (1984); all 369 Front of Socialist Dem. and Unity
60. USSR	285,200,000	19,468,786 claimed	Mikhail Gorbachev	27th, Feb. 25–Mar. 6, 1986	R	99.9 (1984); all 1,500 CPSU approved[u]
61. Yugoslavia (SKJ)	23,580,148	2,079,613 claimed	Boško Krunić (to June) Stipe Suvar (Pres. of Presidum)	13th, June 25–28, 1986	R	— (1986); all 308 Soc. All. approved

[r]Three-quarters of this number are estimated to be pro-Beijing or neutral in relations with communist movements abroad.
[s]The right wing of the party held its own congress in 1968.
[t]New Zealand Department of Statistics.
[u]A reported 71.4 percent are members of the CPSU. See TASS, Mar. 6, 1984, transcribed in Foreign Broadcast Information Service, *Daily Report: Soviet Union* (Washington, DC), Mar. 7, 1984, p. R/5.

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Middle East and North Africa[a]	Mid-1987 population[b]	Party membership	Party leader[c]	Last congress	Legal status	Percent of vote last elect. (date); seats in legis.[d]
K. Afghanistan (PDPA)	14,480,863	205,000 claimed	Najibullah	2nd Natl. Conf., Oct. 18–19, 1987	R	22.6 (1988) 42 of 184 elected so far[v]
62. Algeria (PAGS)[w]	24,194,177	450 est.	Sadiq Hadjeres	6th, Feb.1952	O	(1982)
L. Bahrain (NLF/B)	480,383	Negligible	Saif ben Ali	Unknown	O	n/a
63. Egypt	53,347,679	500 est.	Farid Mujahid (?)	2nd, 1984 or early 1985	O	(1984)
64. Iran (Tudeh party)	51,923,689	1,500 est.	Ali Khavari (in exile)	Natl. Conf. (in exile), 1986	O	(1988)
65. Iraq	17,583,467	No current data	Aziz Muhammad	4th, Nov. 10–15, 1985	O	(1984)
66. Israel	4,297,379[x]	2,000 est.	Meir Vilner	20th, Dec. 4–7, 1985	L	3.8 (1988); 4 of 120
67. Jordan	2,850,482	No current data	Dr. Ya'qub Zayadin	2nd, Dec. 1983	O	n/a
68. Lebanon (LCP)	2,674,385	3,000 est.	George Hawi	5th, Feb. 3–5, 1987	L	(1972)
(OCAL)		*1,500 est.*	*Muhsin Ibrahim*	*1st, 1971*	*O*	*(1972)*
69. Morocco (PPS)	24,976,168	4,000 est.[y]	'Ali Yata	4th, July 17–19, 1987	L	2.3 (1984); 2 of 306
70. Palestine	4,500,000[z]	No current data	Bashir al-Barghuti (?)	1st, 1984 (?)	O	n/a
71. Saudi Arabia	15,452,123	Negligible	Mahdi Habib	2nd, Aug.1984	O	n/a
72. Syria	11,569,659	5,000 est.	Khalid Bakhdash	6th, July 1986	L	— (1986); 8 of 195
73. Tunisia	7,738,026	2,000 est.	Muhammad Harmel	9th, June 12–14, 1987	L	(1986); boycotted
M. Yemen, Aden (YSP)	2,425,620	31,000 cl., includ. cand. membs.	'Ali Salim al-Bayd	4th, June 20–21, 1987	R	— (1986); all 111 YSP approved

Western Europe[a]	Mid-1987 population[b]	Party membership	Party leader[c]	Last congress	Legal status	Percent of vote last elect. (date); seats in legis.[d]
74. Austria	7,577,072	15,000 est.	Franz Muhri (Chairman)	26th, Mar. 25–28, 1987	L	0.72 (1986); none
75. Belgium	9,880,522	5,000 est.	Louis van Geyt (President)	Extraordinary, June 18, 1988	L	1.2 (1987); none
76. Cyprus (AKEL)	691,966	15,000 claimed	Ezekias Papaioannou (to Apr. 22) Dimitris Christofias	Extraordinary, Dec. 20, 1987	L	27.4 (1985); 15 of 56
77. Denmark	5,125,676	10,000 est.	Ole Sohn (Chairman)	28th, Apr. 16–19, 1987	L	0.8 (1988); none
78. Finland (SKP)	4,949,716	20,000 claimed	Arvo Aalto (to May 29, (Chairman) Jarmo Wahlstroem (Chairman) Esko Vainionpää (to (May 29, Gen. Sec.) Helja Tammisola (Gen. Sec.)	21st, June 12–15, 1987	L	9.4 (1987); 16 of 200 to SKDL Front (11 to SKP)

[v]A loose grouping of the PDPA and various small parties, including non-communist parties, won a total of 38 percent of the vote and 69 seats. Some 50 seats were held vacant for the "opposition." Elections were not held in some districts due to combat conditions.

[w]The pro-Moscow PAGS is not mentioned in the Algeria section of V. V. Zagladin and G. A. Kiselev, Eds., *Politicheskiye Partii: Spravochnik* (Political Parties: A Handbook), Moscow, Izdatel'stvo Politicheskoy Literatury, 1986, p. 219. The party does apparently continue to operate through various mass organizations of the ruling National Liberation Front, and has an official on the editorial board of the *World Marxist Review*.

[x]Excludes the population of East Jerusalem and the West Bank.

[y]The party claims a membership of 30,000.

[z]Includes the populaton of East Jerusalem, Gaza, Jordan, and the West Bank.

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Western Europe[a]	Mid-1987 population[b]	Party membership	Party leader[c]	Last congress	Legal status	Percent of vote last elect. (date); seats in legis.[d]
Finland (SKP-Y)		16,663 claimed	Jouko Kajanoja (General Secretary) Taisto Sinisalo (Chairman)	1st, June 5–7, 1987	L.	4.3 (1987); 4 of 200 thru DEVA Front
KPT		*200 est.*	*Timo Lahdenmaek*	*1st, May 23–24 1988*	*L.*	*(1987) part of DEVA Front*
79. France	55,798,282	604,282 claimed	Georges Marchais	26th, Dec. 2–6, 1987	L.	11.3 (1988); 25 of 577
80. Germany (West)	60,980,200[aa]	38,000 est.	Herbert Mies (Chairman)	8th, May 2–4, 1986	L.	0.5 (1987); none (for "Peace List")
81. Great Brit. (CPGB)	56,935,845	9,700 est.	Gordon McLennan	40th, Nov. 14–18, 1987	L.	0.1 (1987); none
(NCPB)		*No current data*	*Eric Trevett*	*5th, Nov. 23–24, 1985*	*L.*	*No data*
82. Greece (KKE)	10,015,041	50,000 est.	Kharilaos Florakis	12th, May 12–16, 1987	L.	9.9 (1985); 13 of 300
(E.AR)		No current data	Leonidas Kyrkos	Founding Congress, Apr. 24–26, 1987[cc]	L.	1.8 (1985); none[bb]
83. Iceland (AB)	246,526	3,000 est.	Olafur Ragnar Grimsson (Chair.)	Biennial Cong., Nov. 7–10, 1987	L.	13.2 (1987); 8 of 63
84. Ireland	3,531,502	500 est.	James Stewart	19th, Jan. 31–Feb. 2, 1986	L.	— (1987); none
85. Italy	57,455,362	1,382,536 claimed	Alessandro Natta (to June) Achille Occhetto	17th, Apr. 9–13, 1986	L.	26.6 (1987); 177 of 630
86. Luxembourg	366,232	600 est.	René Urbany (Chairman)	25th, Apr. 23–24, 1988	L.	4.9 (1984); 2 of 64
87. Malta	346,890[dd]	300 est.	Anthony Vassallo	4th, July 15–17,1988	L.	0.08 (1987); none
88. Netherlands	14,716,100	27,000 claimed	Elli Izeboud (Chairman)	30th, Nov. 29–Dec. 2, 1986	L.	0.6 (1986); none
89. Norway (NKP)	4,190,758	1,750 est.	Kaare Andre Nilsen (Chairman)	19th, Apr. 23–26, 1987	L.	0.2 (1985); none
(AKP)		*6,000 est.*	*Kjersti Ericsson (Chair., to Dec.)* *Siri Jensen (Chair.)*	*5th, Dec. 1988 (cland.)*	*L.*	*— (1985); none*
90. Portugal	10,388,421	199,275 claimed	Alvaro Cunhal	12th, Dec. 1–4, 1988	L.	11 (1987); 30 of 250 Unit. Peop. Alliance coal. (25 to PCP)
91. San Marino	22,986	1,200 claimed	Gilberto Ghiotti	11th, Jan 27, 1986	L.	28.0 (1988); 18 of 60
92. Spain (PCE)	39,209,765	66,000 claimed	Gerardo Iglesias Arguellas (to Feb.) Julio Anguita Gonzalez	12th, Feb. 19–21, 1988	L.	4.6 (1986); 7 of 350 United Left Coalition[ee]
(PCPE)		25,500 est.	Juan Ramos Carmavera Ignacio Gallego (Chairman)	2nd, Apr. 25–27, 1987	L.	4.6 (1986); 7 of 350 United Left Coalition[ee]
(PTE-UC)		*14,000 est.*	*Adolfo Pinedo* *Santiago Carrillo (Chairman)*	*1st, Feb. 8, 1987*	*L.*	*1.2 (1986); none*

[aa]Excluding West Berlin.
[bb]The vote was for the pre-split KKE-I.
[cc]The E.AR is the most significant successor to the KKE-Interior (KKE-I), which split at its April 1987 congress; the smaller faction is the KKE Renovating Left of Giannis Banias.
[dd]Malta Office of Statistics.
[ee]The vote and seat figures are combined totals for the two parties that participated in the elections through the United Left Coalition.

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Western Europe[a]	Mid-1987 population[b]	Party membership	Party leader[c]	Last congress	Legal status	last elect. (date); seats in legis.[d]
93. Sweden (VPK)	8,393,071	17,800 claimed	Lars Werner (Chairman)	28th, May 23–27, 1987	L	5.8 (1988); 21 of 349
(APK)		5,000 claimed	Rolf Hagel (Chairman)	28th, Nov. 7, 1986	L	(1988); no data
94. Switzerland (PdA)	6,592,558	4,500 est.	Jean Spielman	13th, Feb. 27–Mar. 1, 1987	L	0.8 (1987); 1 of 200
95. Turkey (TCP)	54,167,857	Negligible	Haydar Kutlu	5th, autumn 1983	O	(1987)
(UCPT)		Negligible	Haydar Kutlu Nihat Sargin (President)	1st, Oct. 12–13, 1988	O	n/a
96. West Berlin (SEW)	1,869,000	7,000 claimed	Horst Schmitt (Chairman)	8th, May 15–17, 1987	L	0.6 (1985); none

LEGEND OF ACRONYMS

AB	People's Alliance
AKEL	Progressive Party of the Working People
AKFM	Congress Party for Malagasy Independence (Madagascar)
AKP	Workers' Communist Party
APK	Communist Workers' Party
CPA	Communist Party of Australia
CPGB	Communist Party of Great Britain
CPI	Communist Party of India
CPM	Communist Party of Malaya
CPM	Communist Party (Marxist) of India
CPNZ	Communist Party of New Zealand
CPP/NPA	Communist Party of the Philippines/New People's Army
Ea.R	Greek Left
FSLN	Sandinista Front for National Liberation
FRELIMO	Front for the Liberation of Mozambique
KKE	Greek Communist Party
KPRP	Kampuchean People's Revolutionary Party
KPT	Communist Workers' Party (Finland)
KWP	Korean Workers' Party
LCP	Lebanese Communist Party
LPRP	Lao People's Revolutionary Party
MBPM	Maurice Bishop Patriotic Movement
MCP	Malaysian Communist Party
MPLA-PT	Popular Movement for the Liberation of Angola-Party of Labor
MPRP	Mongolian People's Revolutionary Party
MSzMP	Hungarian Socialist Workers' Party
NCPB	New Communist Party of Britain
NKP	Norwegian Communist Party
NLF/B	National Liberation Front/Bahrain
OCAL	Organization of Communist Action of Lebanon
PAGS	Socialist Vanguard Party
PCE	Communist Party of Spain
PCPE	Communist Party of the Peoples of Spain
PCT	Congolese Labor Party
PdA	Party of Labor
PDK	Party of Democracy of Kampuchea (former Khmer Rouge, also known as the Kampuchean Communist Party—KCP)
PdP	People's Party
PDPA	People's Democratic Party of Afghanistan
PGT	Guatemalan Party of Labor
PIT	Independence and Labor Party
PKP	Philippine Communist Party
PMS	Mexican Socialist Party
PPC	Costa Rican People's Party
PPP	People's Progressive Party
PPS	Party of Progress and Socialism
PPSh	Albanian Party of Labor
PRPB	People's Revolutionary Party of Benin
PSN	Socialist Party of Nicaragua
PTE-UC	Workers' Party of Spain–Communist Unity
PUCH	Unified Party of Haitian Communists
PVP	Popular Vanguard Party
PZPR	Polish United Workers' Party
RVP	Revolutionary People's Party (Suriname)
SED	Socialist Unity Party
SEW	Socialist Unity Party of West Berlin
SKJ	League of Communists of Yugoslavia
SKP	Finnish Communist Party
SKP-Y	Finnish Communist Party-Unity
SPA	Socialist Party of Australia
SUP	Socialist Unity Party
SWPP	Socialist Working People's Party
UCPT	United Communist Party of Turkey
VPK	Left Party Communists
WPE	Workers' Party of Ethiopia
WPJ	Workers' Party of Jamaica
YSP	Yemen Socialist Party
ZANU-PF	Zimbabwe African National Union-Patriotic Front

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What remained of the PDPA's credibility was severely damaged when the elections to the Grand National Assembly in April, scheduled with a scant one month's notice, were held in violation of electoral laws: specifically, secret ballots were disallowed, polling booths often remained unmanned, children as young as 13 were seen voting, and candidate lists were published only after the polls opened.[58] Even so, final election results showed that only 44 percent of the votes were cast for leftist candidates, with the remaining votes going to candidates described as "independent."[59]

There were reports during the year that the Soviet Union had furnished the Marxist People's Democratic Republic of Yemen (PDRY) with more than enough military equipment to replace PDRY losses incurred in the 1986 civil war. These reports raised Western concern that the Soviet Union might be pre-positioning equipment there for its own future use.[60] Equally plausible, however, is the speculation that the Soviet Union designed this resupply effort to reassure its PDRY ally that the Soviet military withdrawal from Afghanistan and declining support for other Third World military involvements did not imply the USSR's abandonment of its strategic foothold in Aden. An unusually high level of Soviet-PDRY diplomatic and economic activity gave added weight to this impression. Another indication of strong Soviet interest in the region was the opening of diplomatic relations between the USSR and the Persian Gulf state of Qatar in the summer.[61]

The August cease-fire in the Iran-Iraq war, while as generally welcomed throughout the region as was the later Soviet withdrawal from Afghanistan, brought unmitigated disaster for the remaining cadres of the communist parties in Iran and Iraq. Following the cease-fire, the Khomeyny regime exacted brutal vengeance against its guerrilla opposition, the Mojahedin-e Khalq, who had conducted full-scale military operations into Iran from Iraqi bases. Hundreds of leftist political prisoners were executed. By the end of the year, in an ironic echo of the Nicaraguan Communist Party's plaint, the "Tudeh Party of Iran [asked] the United Nations, the human rights committee [sic, presumably the UN Human Rights Commission], Amnesty International . . . to take prompt action to save the lives of thousands of people whose only crime [was] having a different ideology."[62]

Highlighting the many ambiguities of the Soviet position in the Iran-Iraq war—the USSR was the principal military supplier for Iraq and yet sought to effect a major improvement in relations with Iran—Moscow's gestures on behalf of the Tudeh remained subdued. However, the Soviet press did print Tudeh denunciations of the Khomeyny regime's atrocities.[63] And, in a more vigorous move, Moscow radio broadcast an unattributed commentary in Persian to Iran, questioning "the policy of moral and physical assassination" by those who ". . . sacrifice the interests of the people for the sake of their own greedy interests . . . ," and accusing Teheran of "sacrificing members of the Tudeh party and the Feda-'iyin organization. . . " in order ". . . to gain the trust and support of [US] imperialism. . . ."[64]

For the Iraq Communist Party (ICP), the cease-fire brought even worse devastation than that suffered by the already decimated Tudeh. From the war's onset in 1980, the ICP had concentrated its activity almost exclusively on the disaffected Kurdish areas of northern Iraq. The ICP finally joined in a formal coalition with Kurdish guerrilla parties to fight Saddam Hussein's regime in Baghdad. With Iraq long on the defensive against Iranian forces to the south, much of the north came under Kurdish control—control that with Iranian support included capture in March of the district capital at Halabja. Iraq's retribution was the highly publicized poison gas attack on that city, killing more than 5,000 people.[65] But the real onslaught began with the July cease-fire, when Khomeyny's support for the Kurds ended and the full force of redeployed Iraqi troops turned to the north. Tens of thousands of Kurds escaped to Turkey and Iran. Large numbers of those remaining were forcibly moved to the southern plains of Iraq.[66] The ICP's desperation surfaced in October with an appeal on the Kurdish resistance radio for fighters to return to Iraq and resume the struggle.[67] The exact fate of the ICP is still unknown, but with the resistance shattered, it is difficult to imagine an effective role in postwar Iraq for any surviving Communists who had committed themselves to cooperation with Iran.

Lebanon's two principal communist groups, the Lebanese Communist Party (LCP) and the smaller Organization of Communist Action in Lebanon (OCAL) contin-

[58]US Department of State, *Afghanistan: Soviet Occupation and Withdrawal*, Washington, DC, December 1988, Special Report No. 179, p. 8.
[59]*Kabul Times*, Apr, 30, 1988.
[60]*The Christian Science Monitor* (Boston), Mar. 11, 1988.
[61]*The New York Times*, Aug. 1, 1988.
[62]Radio of the Iranian Toilers (clandestine), Dec. 1988, trans. in *FBIS-NES*, Dec. 2, 1988.
[63]*Pravda*, Dec. 7, 1988, trans. in *FBIS-SOV*, Dec. 8, 1988, p. 37.
[64]Radio Peace and Progress (Moscow), Nov 5, 1988, trans. in *FBIS-SOV*, Nov. 30, 1988, p. 17.
[65]*Le Monde* (Paris), cited in *Manchester Guardian Weekly*, Sept. 11, 1988.
[66]Nadim Jaber in *Middle East International* (London), Sept. 9, 1988, p. 3.
[67]*Hurriyet* (Istanbul), Oct. 2, 1988, trans. in Foreign Broadcast Information Service, *Daily Report: Western Europe* (Washington, DC—hereafter, *FBIS-WEU*), Oct. 13, 1988.

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ued to play an active role among the confusing melee of competing militias, free-wheeling in the absence of central government authority. Though subject to multiple attacks during the continuing civil war, because of their anti-religious and pro-Palestinian orientation, both groups worked within the powerful but loose confederation of forces that support Syria. The LCP, which is active in the National Resistance Front opposing de facto Israeli occupation of a "security zone" in the south, achieved a significant propaganda victory in November when a 20-year-old female party member shot and seriously wounded Antoine Lahad, commander of the Israeli-created and -maintained South Lebanon Army.[68] With a publishing capability (it prints a weekly plus booklets and pamphlets) as well as its own radio station (which broadcasts 18 hours daily),[69] the LCP is well positioned to exploit such events.

Eastern Europe and the USSR. Five ruling communist parties held national conferences during 1988: the Bulgarian in January; the East German, Hungarian, and Yugoslav in May; and the Soviet in June-July. Two of the parties (those in Czechoslovakia and Poland) remained out of step and did not hold a national conference during 1988 (Romania had held its own in December 1987). The year witnessed changes within the leaderships of the Soviet Union, Hungary, Poland, Czechoslovakia, Romania, and Yugoslavia—in the last two cases reflecting normal personnel rotation.

The USSR attempted to persuade its client states that they should purchase more machinery from Moscow and reduce an accumulated trade surplus of 18 billion transferable rubles.[70] Gorbachev's speech at the United Nations on December 7th, announcing unilateral cuts in Soviet armed forces, resulted in public commitments by several other Warsaw Pact governments to reduce defense outlays.[71]

Albania still remains the odd-man-out in Eastern Europe, a member neither of the Warsaw Treaty Organization nor of the CEMA. Tirana continues to have no party-to-party relations with the CPSU or any other ruling communist movement in Eastern Europe, although it maintains state-to-state relations with several of Moscow's allies in the region. Albania sent a Politburo member to attend the 7th congress of the Brazilian Communist Party, received Raoul Marco, a secretary of the "orthodox" Spanish Communist Party (PCE) and Terence Bacon from the Canadian (Marxist) Communist Party. The term "Marxist-Leninist" is no longer used by the Albanians to describe themselves, a shift presumably meant to imply that splinter movements such as theirs are the only genuine ones.

The Albanian economy has been sliding, although a new policy of removing conservative bureaucrats may help reverse the decline. Those cadres who had completed five years at the same post were replaced during the month of June.[72] The rotation affected a minimum of 70,000 senior administrators, most of whom had been appointed by the late Enver Hoxha and not by current party boss Ramiz Alia.

The Bulgarian Communist Party started off the New Year with a national conference on January 28–29, 1988. Although 71-year-old Todor Zhivkov suggested that positions in the government should not be occupied by those already holding offices in the party and that party officials should serve a maximum of three terms, action on the measures was postponed until the 14th congress in 1991.[73] At the July plenum of the BCP Central Committee, reputed heir-apparent Chudomir Alexandrov "resigned at his own request."[74] That same month, most of the 30,000 functionaries scheduled to be rotated out of their jobs were given other administrative posts in municipalities and enterprises.

Inadequate reforms adopted in 1987 and followed with decisions and draft laws were never implemented. A new Soviet ambassador in the person of V. V. Sharapov, a top KGB official, was posted to Sofia in March, presumably to serve as a watchdog. That did not prevent purges in July (see above) and December of all possible contenders for Zhivkov's position. Rumors persisted about mutual dislike between the Soviet and Bulgarian leaders. CPSU Politburo member Lev Zaykov spent five days during September in Sofia to sign agreements on cooperation between respective party, trade union, and youth organizations.[75]

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[68]Voice of the Mountain (clandestine in Arabic) to Lebanon, Nov. 8, trans. in *FBIS-NES*, Nov. 8, 1988, p. 46.

[69]Rafic Samhoun, "Resisting Ideological Subversions," in *World Marxist Review*, August 1988, p. 91.

[70]V. V. Kusin, "Introduction to Eastern Europe in 1988," RFE-RL, *Radio Free Europe Research* (Munich), RAD Background Report/251, Dec. 30, 1988, p.3.

[71]Gorbachev's speech appeared in *Vestnik Ministerstva Inostrannykh Del SSSR*, Dec. 31, 1988, pp. 1–8. For Bulgarian reductions, see *Pogled* (Sofia), Feb. 6, 1989, p. 7; for Czechoslovak, *Rudé Právo* (Prague), Jan. 28, 1989; for East German, *Neues Deutschland* (East Berlin), Jan. 30, 1989, for Hungarian, *Izvestiya* (Moscow), Feb. 2, 1989; for Polish, *Żołnierz Wolności* (Warsaw), Feb. 20, 1989. Romania made no announcement, having already taken a 5 percent cut in 1986.

[72]*Zëri i popullit* (Tirana), June 12, 1988.

[73]The four principles for Bulgaria's "new socialist society," adopted at the national party conference in Sofia were enumerated by Mincho Draganov in "Party Conferences—Realistic Renewal," *World Marxist Review*, October 1988, pp. 46–47; see also *Rabotnichesko delo* (Sofia), Feb. 2, 1988.

[74]*Rabotnichesko delo*, July 21, 1988.

[75]*Frankfurter Allgemeine Zeitung* (Frankfurt), Aug. 22, 1988; and *Rabotnichesko delo*, Sept. 15, 1988.

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Czechoslovakia's economy also deteriorated, with political reforms limited to several changes of leading personnel (in April, October, November). Party leader Miloš Jakeš, who had presided over the purge of some 500,000 supporters of Alexander Dubcek after the August 1968 Soviet military occupation, emerged more powerful than ever. Economic reform has involved only 400 enterprises on an experimental basis. Heavy machinery continues to be produced, even though the USSR has stopped buying it.[76]

Despite a ban on independent political groups, about 10 new ones surfaced in Czechoslovakia during 1988. The number of illegal journals also has proliferated. Police dispersed demonstrations advocating religious freedom, protesting the 1968 Soviet invasion, commemorating the country's 1918 independence day, and supporting other causes.[77] Ten of the 13 Catholic bishoprics remain vacant because the regime refuses to permit the Vatican to play any role in appointments. Nevertheless, pilgrimages to holy sites around the country during the year involved some 700,000 faithful, and almost that many signatures were collected on a petition demanding religious freedom.

The German Democratic Republic (GDR) has avoided both economic and political reforms to date. Party boss Erich Honecker, age 76, has likened experiments in other East European countries to anarchy.[78] This hard line could not conceal problems in meeting production targets and shortages of consumer goods, due to bad investment policies and poor distribution.

About 5 million East Germans visited West Germany during last year, some 80 percent of them past retirement age. The number of legal emigrants tripled from the year before and totaled almost 30,000. This lowering of barriers to free movement has raised expectations that Soviet reforms may soon be emulated in the GDR and that Honecker's reign (since 1971) may be almost over.[79]

Hungary already experienced its transition in communist party leadership, when 76-year-old János Kádár's rule of more than three decades ended in May 1988. His successor is Károly Grósz (58), who had become prime minister in 1987. Introduction of an economic stabilization program produced a 17–18 percent inflation rate, a lower standard of living,[80] and a growth of less than 1.5 percent in gross national product.

The number of independent political organizations in Hungary now includes a Hungarian Democratic Forum, a New March Front, and three former political parties, as well as youth, student, and trade union groupings. The Hungarian government has rewritten the law on associations to permit the existence of rival political parties and will reportedly draft a new constitution by early 1990.[81] These developments are well ahead of anything occurring elsewhere in the region.

Poland experienced strikes in April and May and again in August, as the second stage of economic reform introduced radical price increases for basic needs (food, coal, rent), leading to an inflation rate of 120 percent for 1988. Wage demands were met, although the regime refused to recognize the banned Solidarity trade union. The regime promised a choice in June local elections, but these were basically still controlled by the regime (there were only 700 opposition candidates in all for 108,000 posts). Just over half of those eligible voted, the lowest turnout ever under communist rule in Poland.[82]

General Wojciech Jaruzelski's internal affairs minister met with Solidarity leader Lech Wałęsa to end the August 1988 strikes, with the promise of round-table discussions involving government and opposition representatives in the near future (these finally commenced on February 6, 1989, well after the December purge of eight hard-liners from the party Politburo). In December, a "Citizens' Committee" uniting moderate opposition forces was formed in anticipation of the talks. Only a genuine compromise between regime and Solidarity stood a chance of changing a situation in which nearly 70 percent of youths polled expressed the wish to leave Poland.[83]

In Romania, Nicolae Ceauşescu has reverted to Stalinism. He has stated that economic reform does not mean privatization, that the Communist Party will not share its political power, and that there are no "ready-made forms of socialist construction."[84] The ruler announced a new policy under which by the year 2000, half of all 13,000 Romanian villages will have been destroyed, with the rural population eventually being moved into some 5,500 agro-industrial centers. The

[76]Peter Martin, "Czechoslovakia," RFE-RL, *Radio Free Europe Research*, RAD Report/251, op. cit., pp. 15–18.

[77]Jiri Rohan, *CARIS Report No. 106/88* (BBC, London), Dec. 29, 1988.

[78]Accounts of 7th SED plenum in *Neues Deutschland* (East Berlin), Dec. 2 and 3, 1988.

[79]Barbara Donovan, "German Democratic Republic," RFE-RL, *Radio Free Europe Research*, RAD Report/251, op. cit., p. 26.

[80]The consumer price index shot up by an average of almost 16 percent. *Népszabadság* (Budapest), Nov. 2, 1988.

[81]Alfred Reisch, "Hungary," RFE-RL, *Radio Free Europe Research*, RAD Report/251, op. cit., pp. 28–29. See also B. Rodionov, "The MSzMP [Hungarian Socialist Workers' Party] Proposes a Coalition," *Izvestiya* (Moscow), Jan. 19, 1989, p. 5.

[82]Louisa Vinton, "Poland," RFE-RL, *Radio Free Europe Research*, RAD Report/251, op. cit., pp. 39–42.

[83]*Rzeczywistość* (Warsaw), Jan. 10, 1988.

[84]Cited by Michael Szafir, in "Romania," RFE-RL, *Radio Free Europe Research*, RAD Report/251, op. cit., p. 43.

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stated goal is to eliminate private plots and foster communist values, although Romania's ethnic Hungarian minority (and Budapest) see it as an attempt to assimilate them.

Ceauşescu maintains power by rotating key personnel, with wife Elena in charge. Their son Nicu, first secretary of Sibiu county, is being trained to assume his father's position. Brothers of the leader are the deputy defense minister, the chief of cadres for the internal affairs ministry, and the deputy chairman of the State Planning Committee. At a plenum of the Central Committee, Ceauşescu stated that there would be no diminution in the status of the Communist Party.[85] Despite these policies, Ceauşescu received the Soviet Union's "Order of Lenin" on his 70th birthday, followed by similar awards from East Germany and Czechoslovakia.

Yugoslavia had more problems than any other country in the region. Some 4 to 5 million citizens participated in about 100 political demonstrations. In particular, ethnic disputes centered on Albanian harrassment of minorities in Kosovo and fears that Serbia might become dominant under its energetic party president, Slobodan Milosevic. Inflation hit 300 percent, and there were more economic strikes during 1988 than the 1,570 registered in 1987. More than one-third of all enterprises run at a loss, while 60 percent of the workers are below or at the minimum income level. A national party conference at the end of May showed that the party no longer had control over society's agenda.[86]

Reforms endorsed by the 14th Central Committee plenum of the Yugoslav League of Communists in early May are aimed at creating an open, united, market-oriented Yugoslav economy, but may take three or more years to implement. Without elimination of corruption and a thorough purge of incompetent officials as well as a basic reform of the communist party itself, nobody expects a change for the better in living standards—which have declined by some 40 percent since 1982 and are now at the mid-1960's level.[87] Resignation of the entire government on December 30, 1988, hardly seemed to bode well for the future. Nothing like this had ever happened in the post–World War II period. The year did see the removal of almost all the aging Tito-era leadership in the republics.

The Soviet Union experienced a surprisingly open discussion of issues at the 19th CPSU national conference (June 28–July 1). Gorbachev's speech of more than three hours' duration discussed developments since the 27th CPSU Congress in early 1986 and the forthcoming transformation of the USSR's political system. The 4,991 delegates received his report with reservations, applauding the speaker most when he touched upon traditional party values and ideals.[88] Despite a packing of delegates by the opposition, Gorbachev seemed to have obtained most of what he wanted.[89] However, it was not until September 30 that he could break the Secretariat's traditional control of the party organization at the top and disperse power among six new commissions, all headed by secretaries with carefully defined responsibilities. The following day, Gorbachev replaced Andrey Gromyko as titular president of the country.

The Soviet party/government chief faced serious nationality problems within the USSR. The Nagorno-Karabakh Autonomous Oblast (75 percent Armenian, although inside Azerbaijan) had been the scene of riots that triggered martial law. It was placed under direct control of Moscow in January 1989.[90] The Baltic states, which attempted to obtain genuine autonomy without resorting to violence, found their quest frustrated when Gorbachev announced that certain resolutions adopted by the Estonian Supreme Soviet were "null and void." The popular front movements in all three republics remain active, however.

Western Europe. The fortunes of the communist parties in Western Europe have undergone dramatic change. Representatives of these movements met in Dublin during the late fall to discuss implications of the Single European Act, which will unify eight of the members of the European Community in 1992. Those assembled called for "a Europe from the Atlantic to the Urals, a common home for all peoples."[91]

The French communists were still in disarray from their worst electoral showing in 60 years, in 1986, when they received only 9.8 percent of the vote in elections to the National Assembly. They fared little better in June

[85] *Scînteia* (Bucharest), Nov. 29, 1988.

[86] See *Pravda*, May 30, 1988.

[87] Milan Andrejevich, "Yugoslavia," RFE-RL, *Radio Free Europe Research*, RAD Report/251, op. cit., pp. 47–51.

[88] Heinz Brahm, "The 'Small Party Congress' in Moscow (June 28–July 1, 1988)," *Berichte des Bundesinstituts für ostwissenschaftliche und internationale Studien* (Cologne), No. 34, 1988, pp. 13–16.

[89] Cf. *Theses of the CPSU Central Committee for the 19th All-Union Party Conference*, Moscow, Novosti, 1988, p. 30, and *Rezolyutsii XIX vsesoyuznoy konferentsii KPSS, 1. iyulya 1988* (Resolutions of the 19th All-Union Conference of the CPSU, July 1, 1988), Moscow, Politizdat, 1988. See also John Tedstrom, "The Party Conference on Economic Reform: More of the Same," *Radio Liberty Research*, RL 304/88, July 6, 1988; and Dawn Mann, "The Party Conference Resolution on Bureaucracy," ibid., RL 306/88, July 6, 1988.

[90] "Decree by Presidium of the USSR Supreme Soviet," *Pravda*, Jan. 15, 1989.

[91] "European CP's Discuss 1992," *Morning Star* (London), Oct. 11, 1988, listed the communist parties of Ireland, Great Britain, Denmark, France, West Germany, Greece, Portugal, and "the Peoples of Spain" as taking part. Observers attended from Belgium and *World Marxist Review*.

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1988, with 11.3 percent (a loss of eight seats) in the parliamentary election called after François Mitterrand's re-election to the presidency. Relations with the Socialist Party continued to deteriorate, so that it may be difficult to preserve leftist unity in the March 1989 municipal elections. Nevertheless, an agreement between the two parties was concluded for the largest possible list of common candidates.[92]

Another independent-progressive (formerly called "Eurocommunist") movement, the Italian Communist Party or PCI, also suffered a loss of support in local elections, from 37 down to 22 percent. The PCI continued to give strong support for Soviet reforms, and even threatened to break with the CPSU if Gorbachev were to be ousted.[93] Also on the international front, the Italian Communists have been contacting foreign socialist leaders for possible agreements or even political mergers in the European Parliament at Strasbourg.[94] Replacement of Alessandro Natta (age 70) as general secretary by Achille Occhetto (52) in May conceivably was related to this last endeavor.

The CPSU has relations with both the Communist Party of Spain (PCE) and the Communist Party of the Peoples of Spain (PCPE), which had split off. There also exists a third movement, the Spanish Workers' Party-Communist Unity (PTE-UC).[95] At a congress in mid-January 1989, leaders of the first two agreed to end their split. PCPE leader Ignacio Gallego, who had been expelled from his own party for supporting the merger, was among 23 former PCPE members coopted to the merged party's new Central Committee. The CPSU signified its neutrality by sending a low-level functionary, Kiev oblast party committee first secretary Grigoriy Revenko.[96]

The Portuguese Communist Party (PCP) has been losing popular support over the past three elections, from 18.8 percent in 1983 down to 12.2 percent in 1987.[97] An attempt to bring about internal party reforms at the 12th PCP congress in December 1988 proved abortive when a motion for secret ballots gained only 30 votes from the 2,000 delegates. It is interesting to note that chief Soviet ideologist Vadim Medvedev represented the CPSU at this congress.[98]

The German Communist Party (DKP) faced internal dissension: its 9th Congress, held January 6–7, 1989, had to be broken off and continued a week later because of the "two lines in the party," according to its chairman. The CPSU was represented at the gathering by Aleksandr Yakovlev, Politburo member and chairman of the Party Commission on Questions of International Policy of the Central Committee.[99] The DKP, known for its subservience to the East German regime, has lost members steadily since 1985.

To the split Finnish Communist Party—consisting of the progressive wing (SKP) and the hard-line Unity party (SKP-Y)—there was added on May 21, 1988, a third, even more orthodox splinter group, the Communist Workers' Party. The first two have been discussing reunification, although this had not led to an agreement by year's end.[100]

In Greece, the Greek Communist Party (KKE) urged the KKE-Interior (which itself had split last year) to join the forces of the left. KKE General Secretary Kharilaos Florakis has attempted to improve relations with the Greek Left (E.AR), the more moderate of the KKE-I factions. It is possible that some agreement will be achieved early in 1989. Preparations are also being made for a common list in the June 1989 elections of Greece's representatives to the European Parliament.

In neighboring Turkey, the Communist and Workers' parties agreed to form the United Communist Party of Turkey, which remains illegal. The new party issued a New Year's message at the outset of 1989 demanding, among other things, freedom for party leaders who had been arrested in late 1987 after their return from eight years of exile in Western Europe and are now on trial.[101]

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[92]Radio Paris, Jan. 12, 1989, trans. in *FBIS-WEU*, Jan. 13, 1989, p. 18.
[93]Gianni Cervetti, "Perspectives in Renovation," *World Marxist Review*, October 1988, pp. 86–89.
[94]*La Repubblica* (Rome), Nov. 10, 1988, trans. in *FBIS-WEU*, Jan. 5, 1989, pp. 21–22.
[95]Devlin, loc. cit., p. 5.
[96]"Work of the Congress Ends," *Pravda*, Jan. 16, 1989; Moscow Radio, Jan. 21, trans. in *FBIS-SOV*, Jan. 24, 1989; also *FBIS-SOV*, Jan. 18, 1989, pp. 37–38, and Feb. 17, 1989, pp. 37–39.
[97]Devlin, loc. cit., p.3.
[98]See his interview in *Diário de Noticias* (Lisbon), Dec. 4, trans. in *FBIS-SOV*, Dec. 12, 1988, pp. 36–37.
[99]"DKP Congress Will Be Extended," *Pravda*, Jan. 9, 1989; *Frankfurter Allgemeine Zeitung*, Jan. 16, 1989.
[100]Devlin, loc. cit., pp. 4–5; "Efforts Toward Reuniting CP," *Hufvudstadbladet* (Helsinki), in Swedish, Nov. 22, 1988, p. 2, trans. in *FBIS-WEU*, Jan. 5, 1989, pp. 25–26.
[101]Our Radio (clandestine from Magdeburg, GDR) in Turkish, Jan. 1, trans. in *FBIS-WEU*, Jan. 3, 1989, p. 28. See also article by Clyde Haberman in *The New York Times*, Jan. 14, 1989.

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Soviet-Line Fronts in 1988

Wallace Spaulding

IN 1988, the activities of the major Soviet-line international front groups in 1988 resembled those of the previous year, although the propaganda themes differed modestly. Ranging in character from the heavily communist World Federation of Trade Unions (WFTU), to the more diverse World Peace Council (WPC), to the technically non-communist Christian Peace Conference (CPC), the fronts have over the years sponsored conferences, meetings, publications, and other undertakings aimed at persuading non-communists to support causes and outlooks favorable to Soviet foreign policy objectives. Recently, their closeness to Moscow has been manifest in the particular interest in Asia-Pacific matters exhibited by the fronts, reflecting the concern with the region enunciated by General Secretary of the Communist Party of the Soviet Union Mikhail Gorbachev at Vladivostok in 1986 and Krasnoyarsk in 1988.

In Table 1, I present a current tabulation of the 17 international fronts that have been noted at one or more of the periodic meetings of "closely-coordinating non-governmental organizations" (as they call themselves) that have been held since at least 1979.[1] Where there is new information since last year's listing, the sourceis provided in the footnotes of the table.

Control and coordination. Moscow continued to exercise control of the international fronts primarily by means of the International Department of the Central Committee of the Communist Party of the Soviet Union (CPSU), Soviet affiliates of the respective fronts, and the Soviet representatives of these affiliates in the fronts' international headquarters.[2] Usually these Soviets are one of several secretaries, who are the only full-time officers employed at front headquarters to run the organization on a day-to-day basis. (The president and vice presidents usually reside in their home countries and meet together only occasionally.)

Unlike the other fronts, in the case of the International Union of Students (IUS) and the World Federation of Democratic Youth (WFDY), the organization's president and vice presidents are involved to some degree in the day-to-day running of the respective organizations. The president, vice presidents, secretary general, secretaries, and treasurer of the IUS are all members of the organization's Executive Committee.[3] Incumbents of the equivalent positions in the WFDY also make up that front's Bureau.[4] As part of their involvement in the daily operation of the organization, vice presidents of the IUS and WFDY serve on the staffs of these organizations' magazines, normally a function limited to headquarters staffers (Jose de la Rosa Castillo in the case of *World Student News,* and Abd-al-Basit Musa in the case of *World Youth*). This may explain why Soviet nationals, again uniquely, have usually not occupied secretarial slots in the IUS and the WFDY[5]—a Soviet vice president suffices for control.

Influence is also exercised through the Prague-based *World Marxist Review* (*WMR*—known in many languages as *Problems of Peace and Socialism*), which participates in joint activites with the fronts, publi-

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[1]Wallace Spaulding, "Communist Fronts in 1986," *Problems of Communism* (Washington, DC), March-April 1987, p. 59.

[2]*The CIA and the Media,* Hearings before the Subcommittee on Oversight of the Permanent Select Committee on Intelligence, US House of Representatives, Dec. 27, 1977–April 20, 1978, Washington, DC, US Government Printing Office, 1978, p. 574.

[3]*IUS Secretariat Reports* (Prague), No. 7–8, 1988; *World Student News* (Prague), No. 2, 1988, p. 23.

[4]See the handout of the 12th Assembly of the World Federation of Democratic Youth, Budapest, "Proposal for the Composition of the WFDY Bureau."

[5]On this point, see Richard F. Staar, Ed., *Yearbook on International Communist Affairs,* Stanford, Ca, Hoover Institution Press, 1981, p. 461.

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Table 1: Major International Communist Front Organizations

Organization (President; secretary-general)	Year founded	Headquarters	Claimed membership	Affiliates	Countries
Afro-Asian People's Solidarity Organization (AAPSO) (Murad Ghalib; Nuri Abd-al Razzaq Husayn)[1]	1957	Cairo	No data	87	No data
Asian Buddhist Conference for Peace (ABCP) (Kharkuu Gaadan; G. Lubsan Tseren)	1970	Ulaanbaatar	No data	15	12
Berlin Conference of European Catholics (BCEC) (Franco Leonori;[2] Hubertus Guske[2])	1964	East Berlin	No data	No data	No data
Christian Peace Conference (CPC) (Károly Tóth; Lubomir Mirejovsky	1958	Prague	No data	No data	Ca. 80
International Association of Democratic Lawyers (IADL) (Joe Nordmann; Amar Bentoumi)	1946	Brussels	25,000	No data	Ca. 80
International Federation of Resistance Movements (FIR) (Arialdo Banfi; Alix Lhote)	1951	Vienna	5,000,000	68	29
International Institute for Peace (IIP)	1957	Vienna	No data	No data	No data
International Organization of Journalists (IOJ) (Kaarle Nordenstreng; Dusan Ulcak[2])	1946	Prague	Ca. 250,000	No data	120+
International Radio and Television Organization (OIRT) (Sakari Kuru; Gennadij Codr)	1946	Prague	No data	No data	No data
International Union of Students (IUS)	1946	Prague	Ca. 34,000,000[3]	117[3]	110[3]
Organization of Solidarity of the Peoples of Africa, Asia, and Latin America (OSPAAL) (Susumu Osaki; Rene Anillo Capotr)	1966	Havana	No data	No data	No data
Women's International Democratic Federation (WIDF) (Freda Brown; Mirjam Vire-Tuominen)	1945	East Berlin	200,000,000	142[3]	124[3]
World Federation of Democratic Youth (WFDY) (Walid Masri; György Szabó[4])	1945	Budapest	150,000	Ca. 270	123
World Federation of Scientific Workers (WFSW) (Jean-Marie Legay; Stan Davison)	1946	London	740,000	Ca. 46	70+
World Federation of Teachers' Unions (FISE) (Lesturge Ariyawansa; Gerard Montant)	1946	East Berlin	26,000,000	124	79
World Federation of Trade Unions (WFTU) (Sándor Gáspar; Ibrahim Zakariya)	1945	Prague	Ca. 214,000,000	92	81
World Peace Council (WPC) (Romesh Chandra, Johannes Pakaslahti))	1950	Helsinki	No data	No data	145[5]

[1]Ghalib's identity as president was confirmed and the Iraqi Husayn was reelected secretary general at the AAPSO Congress. See *People's Democracy* (New Delhi), Dec. 11, 1988.
[2]*Neues Deutschland* (East Berlin), June 20, 1988.
[3]*World Student News* (Prague), No. 2, 1988, p. 22; membership figure includes newly-incorporated secondary school students; the number of affiliates is apparently for university level only.
[4]*WFDY News* (Budapest), No. 8-9, 1988.
[5]Prague, CTK, March 18, 1988, in Foreign Broadcast Information Service, *Daily Report: East Europe* (Washington, DC), Mar. 21, 1988, p. 14.

cizes front events, and provides a forum for front leaders. For example, the January and May 1988 issues of the journal carried information about a separate joint seminar sponsored by the WFTU and the *WMR* on "social injustice." Also, Josef Skala, President of the IUS, published a major policy statement on behalf of his organization in the July 1988 issue. The *WMR*, although officially the organ of some 70 communist parties, is tightly controlled by the Soviets; its relations with the international fronts are handled by a "Problems of Peace and Democratic Movements Commission."[6]

Aside from the ultimate control by the CPSU International Department and the influence exercised by the Soviet-dominated *WMR*, two other mechanisms serve to coordinate the activities of the international fronts. As noted above, they meet together periodically, generally at least once a year. In addition, most of the top leaders sit on the WPC, which gives the periodic meetings of the various subdivisions of that organization—Bureau, Presidential Committee, and Council—a similar coordinating role.[7]

[6]Wallace Spaulding, "New Head, Old 'Problems of Peace and Socialism'," *Problems of Communism*, November-December 1982, pp. 57–62.
[7]Spaulding, "Communist Fronts in 1986," loc. cit., p. 57.

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In different years, different parts of the world seem to be the principal locus of major front gatherings. In 1988, the honor fell to India and the German Democratic Republic (GDR).

Perhaps because of its leadership role in the Non-Aligned Movement, India was chosen as the site of three major front gatherings in 1988. In November, India hosted the 7th Congress of the Afro-Asian People's Solidarity Organization (AAPSO). The second meeting (in May) of the International Preparatory Committee for the World Youth Festival and the yearly meeting of the World Federation of Trade Unions (WFTU) General Council (in October) also were held in India.

The Soviet Union has long used the GDR to assist its efforts in cultivating influence in the Third World. In line with this Soviet policy, East Germany was chosen as a second major locus of front activity in 1988. In June, East Berlin hosted a major meeting on nuclear-weapons-free zones. More than 1,000 delegates attended this meeting, which exceeded the AAPSO gathering in size. Although this meeting was not formally a front gathering (the East German government sponsored the event), more leaders of international fronts attended this gathering than were reported at any front gathering during the year.[8] Moreover, the meeting used the East German Peace Council's mailing address as the mailing address for its preparatory committee,[9] and its subject matter was an important front theme (see below).

East German party leader Erich Honecker was heavily involved in opening and closing the gathering, meeting with foreign delegations, and holding a reception for attendees.[10] Honecker's visible participation was reminiscent of Fidel Castro's behavior during the series of conferences on foreign debt held in Havana in the summer of 1985, but contrasted with Mikhail Gorbachev's more limited involvement in the Moscow conferences of leading "personalities" on the theme "For a Nuclear Free World, for the Survival of Humanity," and of women in 1987.[11] (Premier Rajiv Gandhi did keynote the AAPSO congress—a propaganda coup for the meeting's organizers—but otherwise he remained in the background.) Honecker also addressed the third meeting of the International Preparatory Committee for the World Youth Festival held in East Berlin. Other meetings that took place in the GDR included the 10th plenary session of the Berlin Conference of European Catholics (BCEC), in June, and the 10th conference of the Trade Union International of Building Workers, in September. In each case, it was the highest level of meeting that the respective organization held during 1988.

In 1988, three worldwide fronts attempted to strengthen their identification with subsidiary organizations they originally had spawned to foster the illusion of the subsidiaries' independence. Two of these attempts occurred in the context of the WFTU General Council meeting. First, one of the major documents presented at that meeting called for a closer relationship between WFTU and the 11 trade union internationals (TUI's).[12] Second, the day after the Council meeting ended, the Asian-Pacific Trade Union Co-ordination Committee began its annual sessions in the same city. The latter organization extends Soviet influence in the trade union movement by joining WFTU affiliates in the region with leftist but non-WFTU unions.[13] (This back-to-back technique was also in evidence when AAPSO's Asia-Pacific Presidium met in Vientiane on August 3-6, followed by an AAPSO conference on Kampuchea in nearby Phnom Penh on August 6-7. Note also that an even more closely intertwined *concurrent* set of meetings took place in Havana in October—of the Continental Front of Women from the 3rd to the 7th and of Latin American peace movements from the 3rd to the 5th.)

The third example of the forging of a closer link between a parent front organization and one of its de facto subsidiaries occurred at the Acapulco Congress of the Federation of Latin American Journalists (FELAP). The newly-elected FELAP president and secretary general, Armando Rollemberg and Ernesto Vera respectively, are, unlike their predecessors, vice presidents of the International Organization of Journalists (IOJ). Luis Suarez, reelected FELAP secretary, is also an IOJ vice president. Moreover, Vera, a Cuban, heads the recently-established IOJ regional center in Mexico City, where FELAP has its headquarters. Note also that former IOJ Secretary General Jiři Kubka had recently been appointed Czechoslovakia's Ambassador to Mexico and that he attended the Acapulco Congress (as did his IOJ successor).[14]

In contrast to such efforts to tighten up the mechanisms of control over trade union and journalist activites, Moscow gave the appearance of loosening control over the Soviet-line peace movement. To begin with, the peace movement's leaders admitted their past biases. Already in 1987, the WPC had recognized the

[8] *Neues Deutschland* (East Berlin), June 20, 1988.

[9] See *Peace Courier* (Helsinki), No. 4, 1988.

[10] East Berlin, ADN, June 20 and 22, 1988, translated in Foreign Broadcast Information Service, *Daily Report: East Europe* (Washington, DC—hereafter, *FBIS-EEU*), June 21, 1988, pp. 2–5, and June 23, 1988, pp. 4, 5, 12–13.

[11] Cf. Wallace Spaulding, "Communist Fronts in 1985," *Problems of Communism*, March-April 1986, pp. 75–76, and idem,"Communist Fronts in 1987," ibid., January-February 1988, pp. 84–85.

[12] *Flashes from the Trade Unions* (Prague), Nov. 11, 1988.

[13] Spaulding, "Communist Fronts in 1985," loc. cit., p. 74.

[14] *Excelsior* (Mexico City), Oct. 17 and 20, 1988; *IOJ Newsletter* (Prague), No. 11, June 1988.

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need for looser controls (or at least the appearance of looser controls). Thus, in 1987, WPC Secretary General Johannes Pakaslahti openly acknowledged that the one-sided stand of his organization had limited its effectiveness, and he called for cooperation, not confrontation, with other elements of the peace movement.[15] In 1988, Soviet ex-WPC Secretary Tair Tairov underscored this theme when he admitted that the WPC had developed into a mere instrument of Soviet policy and added that too much emphasis had been placed on high-level conferences at the expense of "grass-roots" movements.[16] The WPC's Soviet vice president, Genrikh Borovik, echoed these comments and claimed that the Soviet Peace Committee (SPC, of which he is chairman) had already developed relations with a broad spectrum of domestic political organizations.[17] (Incidentally, in "explaining" why the SPC could offer little help in getting the WPC on the right track, Tairov said that the Soviet body had not made much progress in *glasnost'* and that Borovik's election as SPC chairman had taken place undemocratically.[18])

As a consequence of this growing concern, the November meeting of the WPC Bureau proposed that sessions of the organization's two largest bodies should have equal or near-equal representation from WPC and from non-WPC organizations (150 each on the Presidential Committee, and 400 WPC to 300 non-WPC delegates to the forthcoming December 1989 Council meeting). Ironically, although Pakaslahti had been one of the public initiators of the current campaign to open up the WPC to outside forces, he himself may have been maneuvered out of his job when the same Bureau meeting apparently eliminated the post of secretary general in the course of a restructuring designed to reduce the size of WPC bodies.[19]

Other fronts, too, attempted to accommodate a wider range of views than previously. The November AAPSO Congress decided that, henceforth, non-Afro-Asian associate members would be given a greater voice in running the organization, including the privilege of being elected to the Bureau of the AAPSO Presidium.[20] In addition, the IOJ, while tightening control of FELAP, stated its intent to open the IOJ publication *Democratic Journalist* to freer discussion and to cosponsor the "first ever" conference of secular and church journalists.[21]

Finally, it is worth noting that other organizations emulated the model presented by the International Physicians for the Prevention of Nuclear War—with its Soviet and American initiatives and co-presidents—but with an added Swedish dimension. In 1988, the International Association of Lawyers Against Nuclear War, which began to organize in 1987, was officially inaugurated at an April meeting in Stockholm with Soviet, American, and Swedish co-presidents.[22] A new International Foundation for the Survival and Development of Humanity emerged in January, with headquarters in Moscow but with "missions" in the United States and Sweden; it has a Soviet chairman and an American vice chairman.[23] One might also mention the April meeting in Kabul at which "Soviet, American, and Afghan academic figures" discussed the situation in Afghanistan. In structure, this gathering also brought to mind Castro's conference of "personalities" on the debt issue in 1985 and the 1987 Moscow meeting of important "personalities" on the theme of a nuclear-free world.[25]

Themes. The themes to be promoted during 1988 (and the order of priority accorded them) were spelled out in the WPC's *Programme of Action, 1988,* published in December 1987, and were closely mirrored in the resolutions adopted by the WFTU General Council in October 1988.[26] The functional themes of both, with one exception, were identical and listed in the same order: (1) peace, security, and disarmament; (2) socio-economic development, (3) human rights, and (4) environmental concerns. The *Programme of Action* had one additional topic, "culture and education for peace," which it put in fourth place, relegating the environment to fifth.

The five categories of the *Programme of Action* also provided five of the six points of the agenda for the April International Encounter for Peace, Disarmament, and

[15]*Peace Courier*, No. 8, 1987; *World Marxist Review* (London edition), November 1977, pp. 76–79.

[16]*Information* (Copenhagen), Aug. 13–14, 1988; *Rauhan Puolesta* (Helsinki), September 1988, as quoted in *Tribune* (Sydney), Oct. 5, 1988.

[17]*Mezhdunarodnaya Zhizn'* (Moscow), No. 10, 1988, pp. 61–62; *Kansan Uutiset* (Helsinki), Oct. 29, 1988.

[18]*Rauhan Puolesta*, loc. cit.; *Komsomolskaya Pravda* (Moscow), June 25, 1988.

[19]*Peace Courier*, No. 12, 1988.

[20]*New Age* (New Delhi), Dec. 4, 1988; and *People's Democracy* (New Delhi), Dec. 11, 1988.

[21]*Democratic Journalist* (Prague), No. 5, 1988, p. 2; and *Rudé Právo* (Prague), Dec. 12, 1988.

[22]Petr Demichev, a then-candidate member of the Politburo of the Communist Party of the Soviet Union met in Moscow with Stig Gustafsson, co-president of the new organization, on June 13. See Moscow, TASS, June 13, 1988, in Foreign Broadcast Information Service, *Daily Report: Soviet Union* (Washington, DC--hereafter, *FBIS-SOV*), June 16, 1988, p. 6. Plans to organize such a group were noted in Spaulding, "Communist Fronts in 1987," loc. cit., p. 85.

[23]Moscow, TASS, Nov. 15, 1988, in *FBIS-SOV*, Nov. 17, 1988, p. 6.

[24]Kabul, BAKHTAR, April 18, 1988, in Foreign Broadcast Information Service, *Daily Report: Near East and South Asia* (Washington, DC—hereafter, *FBIS-NES*), April 19, 1988, p. 56; Kabul, BAKHTAR, April 19, 1988, trans. in *FBIS-NES*, April 20, 1988, pp. 43–44; Kabul, BAKHTAR, April 22, 1988, in *FBIS-NES*, April 22, 1988, p. 48; Kabul, BAKHTAR, April 24, 1988, trans. in *FBIS-NES*, April 25, 1988, p. 49.

[25]Spaulding, "Communist Fronts in 1985," pp. 75–76, and idem, "Communist Fronts in 1987," p. 85.

[26]*Flashes from the Trade Unions*, Nov. 11, 1988.

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Life, held in Merida, Venezuela, and cosponsored by the University of the Andes, the WPC, and the United Nations Educational, Scientific, and Cultural Organization (UNESCO).[27] Similarly, the AAPSO Congress declaration had "peace and disarmament" in first place, followed by what were essentially economic development and human rights provisions, but in reverse order from that of the WPC/WFTU listings described above, and with "national liberation" provisions inserted in between.[28] AAPSO gave short shrift to environmental and cultural issues. Under the rubric of "peace, security, and disarmament," the fronts emphasized their approval of the INF Treaty, which Ronald Reagan and Mikhail Gorbachev signed in December 1987.[29] The WFTU's newsletter referred to the INF Treaty as "a decisive step toward ridding the world of all nuclear weapons by the year 2000,"[30] an idea put forth by Gorbachev in 1986 and the theme of two major front congresses in 1987.[31] Similarly, the BCEC June 1988 plenum was held under the motto: "Free of Nuclear Weapons by 2000 A.D."[32]

Front meetings—e.g., the AAPSO conference in Kabul in March and the WPC Presidium meeting in Prague the same month—also focused on regional conflicts. However, as the Angolan, Iran-Iraq, and Afghanistan wars wound down during the year, this subject seemed to receive less and less attention, although WFDY at its December executive meeting in Kiev still made note of it. Significantly, one conflict where little progress toward settlement had occurred—Kampuchea—was the subject of an AAPSO meeting in Phnom Penh in August (noted above).

The most striking subdivision of the peace and disarmament theme emphasized in 1988 seems to have been the "nuclear-free zone/nuclear-weapons-free zone/zone of peace" category. The East Berlin conference on nuclear-weapons-free zones has already been mentioned as one of the largest front gatherings during the year. Zones of peace were proposed for the South Atlantic—the subject of a June WFDY and a September WPC meeting, both in Brasilia; the Indian Ocean—the subject of a WPC/AAPSO meeting in Antananarivo, Madagascar, in April and a topic emphasized by the WFTU Bureau meeting in Addis Ababa in March and the AAPSO Asia-Pacific Presidium meeting in Vientiane; Korea—the subject of an October WPC meeting in Pyongyang; and the Asia-Pacific region—emphasized by the WFTU Bureau meeting in Addis Ababa, the WFTU General Council (New Delhi), and a WFDY Asia Pacific youth meeting in Sydney in May. In a related vein, the Vientiane AAPSO meeting advocated the removal of bases from the Asia-Pacific region (chiefly, from the Philippines, Japan, and Diego Garcia).[33]

The "development" theme remained a favorite of the trade union fronts and continued to be pursued in relation both to disarmament (the message being that Western disarmament should release funds for Third World development) and to the burden of foreign debts (which were seen to hinder Third World development). In February, the WFTU conference in Paris on international economic security had workshops devoted to the relationship between disarmament and development and to more equitable international economic cooperation. It also took up the subjects of Third World debt and hunger.[34] At a June meeting in Geneva, the WFTU-related Dublin Committee called for a "Disarmament for Development Fund" to be set up under United Nations auspices.[35] This idea was supported at the WFTU General Council meeting in October, which called for a world trade union conference on development and for trade union action against "the consequences of the unpayable external debt."[36]

The theme of unbearable foreign debt, first raised by the Cubans in the Latin American context in 1985, was taken up in the African setting by two WFTU conferences in Addis Ababa, one devoted explicitly to the subject in December 1987 and at the Bureau meeting in March 1988. In addition, the October meeting of the Asian-Pacific Trade Union Co-ordination Committee dealt with the issue of foreign debt in the Asia-Pacific region.[37]

Along this line, the "New International Economic Order"—which is to redress the imbalance of wealth between the Third World and the developed capitalist countries—plus the disarmament for development theme (see above) found a new parallel in the "New International Scientific Order," proposed by World Federation of Scientific Workers (WFSW) President Jean-Marie Legay in January.[38] Apparently, although no explanation was made in the cited source, under the

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[27]Conference brochure.
[28]*New Age*, Dec. 4, 1988.
[29]*Flashes from the Trade Unions*, June 17, 1988.
[30]Ibid., Sept. 16, 1988.
[31]Spaulding, "Communist Fronts in 1987," loc. cit., p. 85.
[32]*Neues Deutschland*, June 3, 1988.
[33]Angolan Domestic Service, (Luanda), June 21, 1988; *Peace Courier*, No. 10, 1988; ibid., No. 5 (1988); *Flashes from the Trade Unions*, April 15, 1988; Laotian Domestic Service (Vientiane), August 3–5, 1988; *Neues Deutschland*, October 22–23, 1988; *Flashes from the Trade Unions*, April 15, 1988; ibid., November 11, 1988; and *The Guardian* (Sydney), May 11, 1988.
[34]*L'Humanité* (Paris), Feb. 25, 1988.
[35]*Flashes from the Trade Unions*, July 1, 1988. On the Dublin Committee's relationship to the WFTU, see Spaulding, "Communist Fronts in 1985," loc. cit., p. 75.
[36]*New Age*, Nov. 6, 1988.
[37]Ibid., Nov. 13, 1988.
[38]Sofia, BTA, Jan. 23, 1988, in *FBIS-EEU*, Jan. 25, 1988, p. 9.

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new "New International Scientific Order," scientific resources would be directed from military to peaceful uses so as to benefit the developing nations.

Befitting the 40th anniversary of the United Nations Declaration of Human Rights, the fronts emphasized human rights, although their treatment of the topic was narrow and linked to other major themes. For example, the WPC's *Programme of Action, 1988* began with the "right to life and peace" and then gave primary emphasis to "racism and apartheid," focusing on South Africa, Namibia, and Palestine.[39] Both the September WFTU memorandum to the United Nations and the CPC's October Continuation Committee meeting in Görlitz, GDR, called attention to South Africa and Palestine.[40] Moreover, Palestine was the subject of an AAPSO meeting in Nicosia in June and of a special session of the AAPSO Congress in New Delhi.

The WFTU was especially active in highlighting the issue of workers' rights. It apparently cosponsored a symposium with the *WMR* on "the working class and social injustice" in early 1988, in June held a conference in Sofia on "human and trade union rights," and had articles on trade union rights in nearly half of the issues of its *World Trade Union Movement*.[41] The January 1988 Asia-Pacific young workers conference held in Alma Ata called for "the right to participate in trade union life and the building of a progressive society"[42] The AAPSO Congress, not surprisingly, stressed rights associated with political and economic independence (with a slap at transnational corporations under the latter rubric).[43] Finally, IUS President Josef Skala in the July issue of *WMR* (p. 51) noted, without further clarification, the formation of an International Center for the Defense of Student Rights, apparently modeled on the International Center for the Defense of Trade Union Rights, set up in Prague in November 1987.[44]

The issue of the environment provided another focus of attention in 1988. The WPC's monthly *Peace Courier* carried articles devoted to ecological issues throughout the year (Nos. 4, 5, 7/8, 10, and 12). In March, the 10th Agricultural Workers TUI Conference in Prague underscored the ecological issue, and the WPC Presidential Committee meeting stressed environmental protection as a human right. The WPC/UNESCO April "International Encounter" in Merida, Venezuela, complained that the Third World is treated as "the dump site of international contaminated waste material."[45] An August-September WPC seminar in Porto Alegre, Brazil, devoted attention to the Amazon rain forest. The No. 12, 1988, issue of *Peace Courier* carried an article attributing the depletion of that area to the demand for more beef-cattle grazing, in turn the result of the demand for hamburgers (again transnational corporations were depicted as the culprits). Less spectacularly, the WFTU's *World Trade Union Movement,* No. 11-12, 1988, devoted 7 of its 33 pages to ecological issues.

As suggested above, the WPC seemed to be almost the sole purveyor among the fronts of the theme of "culture and education for peace" (the World Federation of Teachers Unions [FISE] is the other front notably concerned about this matter).[46] Even the WPC, however, did not give the subject much attention during the year, despite the fact that the United Nations has declared 1988–1997 the World Decade for Cultural Development. (WPC Vice President Mikis Theodorakis played a leading role in a conference on the subject, held in Tübingen in May, but, with only 10 percent of the participants coming from outside West Germany, we are reluctant to consider it an international front meeting.)[47]

Surprisingly, the WPC seems to have avoided a "natural" front theme linked to that of culture and education—the New International Information and Communications Order (NIICO), which would give Third World nations control over the news distribution for their respective countries rather than allowing Western news agencies the scope they currently have there. This omission occurred even in a *Peace Courier* article, No. 12, entitled "The West Distorts Third World Reality," which highlighted the very situation that the NIICO is purportedly designed to overcome.

By contrast, the NIICO had been discussed at the WFDY's Bureau meeting in December 1987. More significant from our standpoint, the IOJ's *Democratic Journalist* had articles devoted to it in three of its first 11 issues of 1988 (Nos. 3, 4, and 5). This latter fact suggests a specialized interest similar to that of trade union rights in the case of *World Trade Union Movement,* and ecology in the case of *Peace Courier.*

As in 1987, the fronts continued to stress the importance of the Asia-Pacific region. Thus, for the first time, an AAPSO Congress and a WFTU General Council meeting took place in Asia. The upcoming World Youth Festival—cosponsored by the IUS and the WFDY—is scheduled for July 1989 in Pyongyang, the first such festival scheduled to be held in Asia. This concentration of meetings may have marked a follow-through of the Asia-Pacific emphasis noted in front activity in

[39]Op. cit., pp. 5–6.
[40]*Flashes from the Trade Unions*, Sept. 30, 1988; *CPC Information* (Prague), Nov. 3, 1988.
[41]Nos. 2, 3, 7, and 8.
[42]*Flashes from the Trade Unions*, Feb. 12, 1988.
[43]*New Age*, Dec. 4, 1988.
[44]Spaulding, "Communist Fronts in 1987," loc. cit., p. 87.
[45]Conference brochure.
[46]*Teachers of the World* (Prague), No. 4, 1988, p. xvi.
[47]*World Student News*, No. 12, 1988, pp. 12–13.

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1987.[48] The importance of Asia also can be seen in the number of conferences described above that were held in the area (although it might be noted that Eastern and Western Europe combined edged out Asia in this respect).[49] In addition, the WPC's *Programme of Action, 1988* devoted more space to Asia and the Pacific than to any other geographic area.[50] Incidentally, Gorbachev's September 16, 1988, speech in Krasnoyarsk reiterated the interest in the region evident in his 1986 Vladivostok speech.

Personnel. The most salient changes in front leadership are noted in Table 1 above. In addition, a variety of other changes in leading front personnel occurred in 1988. New IOJ vice presidents noted during the year are: Chou Chang Chun (North Korea), Leszek Gontarski (Poland), and Edgar Jaramillo (Ecuador).[51] IOJ secretaries newly noted were: Konstantin Ivanov (Bulgaria?), Leena Pakku (Finland), Constantin Pisacaru (Romania?), and Bernd Rayer (GDR).[52] Incidentally, during 1988, the IOJ Secretariat appeared unique for its lack of Africans and Asians. Consequently, Rayer had the African (and apparently also the Arab) account, while Pisacaru seemed to cover Asia.[53] By early 1989, however, the situation appeared to have been partially remedied by the appointment of Christopher Muzavazsi (South Africa?) as an IOJ secretary.[54]

From the lists of the *World Student News* editorial board, it would seem fairly certain that since the Ghanian Pius Dakora has replaced his countryman Philip Gardiner on that body, he has also replaced him as the Ghanian IUS secretary.[55] Similarly, one may infer that Veselin Valchev has replaced V. Zlatinov as Bulgarian IUS secretary, although the latter had never been definitely identified in that position.[56] We do have definite information that Mouhamadou M. Fall is the new Senegalese vice president of the IUS.[57] Finally, IUS Secretary Gaston Grisoni has been identified as a Uruguayan.[58]

Newly-noted WFDY vice presidents Luis Cardoso (Portugal) and Matthew T. Rajajai (India) also sit on the Editorial Board of *World Youth*.[59] It also seems fairly certain that since the Dane S. Brostrom has replaced his countryman Henrik Andersen on that board, he has also replaced him as WFDY's Danish secretary.[60] Other members of the *World Youth* Editorial Board in 1988 may also occupy the slots allocated to their respective countries on the WFDY Bureau, thus demonstrating that these people are involved in the day-to-day running of the organization: vice presidents—A. Kovylov (USSR), C. de Negri (Chile); deputy secretary general—R. Lopez (Colombia); secretaries—V. Georgakakis (Greece) and U. Brockmeyer or B. Grassler (GDR).[61]

A comparison of the WPC's *New Perspectives* issues No. 6 for 1987 and No. 6 for 1988 shows that the organization obtained the following new vice presidents during the year: Genrikh Borovik (USSR), Abou Camara (Guinea), Marcelino Jaen (Panama), Jorge Alberto Kreyness (Argentina), Sarwar Mangal (Afghanistan), Hugo Mejias Bricero (Nicaragua), and Ali Ameri Muhammad (Tanzania). How long these people will remain members is unknown, in view of the fact that the WPC's Bureau in November proposed that the Bureau include only 30 vice presidents rather than the current 51.[62] (It was not indicated whether 21 vice presidents would lose their positions altogether or merely their seats on the Bureau.)

A comparison of the aforementioned issues of *New Perspectives* also indicates the following new members of the publication's editorial board: Marjut Helminen (Finland) and Ray Stewart (New Zealand). And as noted above, Pakaslahti and the position of secretary general may be eliminated from the WPC.

The WFTU added a new secretary for Black Africa, the Congolese Messeambia Koulimaya.[63] Hans Christoph is the new FISE secretary for East Germany, while Jamil Shikada (Palestine), Antonio Jaimes A (Mexico), Helga Labs (GDR), Michele Baracat (France), and Rimm Papilov (USSR) were newly noted vice presidents of that organization.[64] Newly identified AAPSO personnel were Deputy Secretary General S. S. al-Gampi (People's Democratic Republic of Yemen) and secretaries T. Schubert (GDR), S. Molifi (South Africa, and P. Spassov (Bulgaria, presumably replacing the Czechoslovak Ivan Plechaty).[65]

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[48]Spaulding, "Communist Fronts in 1987," loc. cit., p. 86.
[49]*World Student News*, No. 12, 1988, pp. 7–10.
[50]*New Perspectives* (Helsinki), No. 1, 1989, p. 17.
[51]*Democratic Journalist*, No. 1, 1988, p. 2.
[52]*IOJ Newsletter*, Nos. 2, 3, 15, and 18, 1988.
[53]Ibid., Nos. 7 and 18, 1988.
[54]Ibid., No. 1, 1989.
[55]*World Student News*, No. 11, 1988, p. 2; on his predecessor, see ibid., No. 1, 1986, p. 1; and Spaulding, "Communist Fronts in 1986," loc. cit., p. 63.
[56]*World Student News*, No. 11, 1988, p. 2; on his predecessor, see Spaulding "Communist Fronts in 1986," loc. cit., p. 63.
[57]*World Student News*, No. 7, 1987, p. 9, and No. 4, 1987, p. 22.
[58]Ibid.
[59]Op. cit., No. 3, 1988, p. 1; and *The Guardian*, May 18, 1988.
[60]*World Youth*, No. 3, 1988, p. 1; cf. ibid., No. 11–12, 1986, inside front cover, and Spaulding "Communist Fronts in 1986," loc. cit., p. 64.
[61]12th Assembly of the World Federation of Democratic Youth, op. cit.; and *World Youth*, No. 3, 1988, p. 1.
[62]*Peace Courier*, No. 12, 1988.
[63]*World Trade Union Movement*, No. 8, 1988, inside front cover.
[64]Pyongyang, KCNA, Sept. 8, 1988, trans. in Foreign Broadcast Information Service, *Daily Report: East Asia* (Washington, DC), Sept. 9, 1988, p. 24; *Teachers of the World*, No. 4, 1987, p. 2.
[65]*Afro-Asian Solidarity* (Cairo), Nos. 3—4, 1988, inside front cover.

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Books

The Chinese Revolution Reevaluated

Stephen C. Averill

CHONG-SIK LEE. *Revolutionary Struggle in Manchuria: Chinese Communism and Soviet Interest, 1922–1945.* Berkeley, CA, University of California Press, 1983.

STEVEN I. LEVINE. *Anvil of Victory: The Communist Revolution in Manchuria, 1945–1948.* New York, Columbia University Press, 1987.

FERNANDO GALBIATI. *P'eng P'ai and the Hai-Lu-feng Soviet.* Stanford, CA, Stanford University Press, 1985.

YUNG-FA CHEN. *Making Revolution: The Communist Movement in Eastern and Central China, 1937–1945.* Berkeley, CA, University of California Press, 1986.

THE Chinese Revolution is generally viewed, together with the French and Russian revolutions, as one of a triumvirate of "great revolutions" whose convulsions have shaken and helped shape the modern world. Within this triumvirate, the Chinese case has been viewed as the paramount example of a successful "peasant revolution," and as the source of a strategic doctrine (the "Maoist model"). Especially during the late 1960's and early 1970's, it was of intense interest to many who were concerned with either the practical or theoretical study of revolution. While the incidence of Maoist guerrilla struggles—and interest in them—has waned considerably in recent years, the Chinese Revolution continues to invite examination as a prolonged and particularly complex example of rurally-centered violent collective action occurring under the general guidance of a communist party.

My aim in the present essay is to reflect upon certain recent trends in the scholarly study of the Chinese Revolution, focusing my remarks primarily upon issues raised in the four books listed above. Beginning with a short introductory review of prior literature on the subject, I will then briefly discuss each of the books under review here, before finally turning to a somewhat fuller and more comparative discussion of the implications of some of the evidence they and other recent works present.

MOST OF the initial studies of the Chinese Revolution concerned themselves primarily with sorting out the basic political history of the Chinese Communist Party (CCP) before 1949. In the course of this endeavor, they sought to learn how Mao Zedong and the other major leaders of the People's Republic of China (PRC) had become dominant within the party, to uncover the numerous personal or policy disputes that had developed within this top leadership group, and to determine the nature and extent of Soviet influence upon the CCP.[1]

Following soon after the publication of these ground-breaking works, or in some cases chronologically overlapping with them, a number of other studies focused on early CCP institutions and policies appeared. Although frequently still set firmly in the context of high-level intra-party leadership disputes, these works expanded the framework of analysis somewhat by focusing on the strategies of popular mobilization and political institution-

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[1]Well-known examples of such books include Conrad Brandt, *Stalin's Failure in China*, New York, W. W. Norton, 1958; Benjamin Schwartz, *Chinese Communism and the Rise of Mao*, Cambridge, MA, Harvard University Press, 1958; and Tso-liang Hsiao, *Power Relations within the Chinese Communist Movement, 1930–1934*, Seattle, WA, University of Washington Press, 1961.

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building. Of these strategies the famous "mass line," which the CCP had developed during the late 1920's and 1930's, and which was codified as formal party doctrine in the essays Mao wrote during the war against Japan, received the most attention.[2]

Most of these early studies were based primarily upon information gleaned from collections of Communist documentary materials, using techniques of careful textual exegesis and documentary interpretation very similar to those employed by scholars studying the Soviet Union. Although they rarely articulated an explicit and well-defined theoretical position, the issues these works chose to study clearly indicated their implicit assumption that the success of the Chinese Revolution was largely a matter of proper high-level political decision-making and organization-building.

The publication in 1962 of Chalmers Johnson's book, *Peasant Nationalism and Communist Power,*[3] did much to change the orientation of scholarship on the Chinese Revolution from the methodological and interpretive framework outlined above. Instead of focusing on the pre-1935 period when the CCP's strength was concentrated in the cities and rural soviets of central and southern China, Johnson's book investigated the Anti-Japanese War period between 1937 and 1945, during which time the party's activities were centered primarily in the northern half of the country. Instead of sifting through the factional struggles and political policies of the party's highest leadership circles for clues to the revolution's eventual success, Johnson stressed the vital importance of the nationalistic resentment generated among the peasant masses of northern China by the brutality of the invading Japanese, and the CCP's good fortune in being in a position (both geographically and organizationally) to harness and turn this feeling to its own advantage. And instead of presenting his argument via detailed and demanding textual exegesis based on the familiar corpus of CCP documents, Johnson relied heavily upon the rich and hitherto unused information contained in Japanese intelligence reports produced during the war.

The most noteworthy and controversial aspect of Johnson's widely-read work was his explicit denial that socioeconomic grievances had played any important part in motivating peasants to participate in the revolutionary struggle. His book soon prompted other scholars to evaluate and comment on his thesis in light of their own studies of various aspects of the revolution's history, and even today it continues to stimulate considerable debate among scholars.[4]

Although a certain amount of the research conducted after the publication of *Peasant Nationalism and Communist Power* has continued to examine the pre-1937 period in CCP history centered in South China, Johnson's work has shifted the most intense scholarly interest to the Communist presence in North China during the Anti-Japanese War period. At the same time, growing interest in detailed, multi-faceted "local studies" has encouraged scholars to focus their research on a relatively small geographic area —often a single Communist "base area"—rather than upon North China or the country as a whole.

In the course of their research, scholars have formulated or commented upon several alternative general explanations for Communist success. One such explanation, articulated in response to Johnson's "peasant nationalism" thesis, stoutly defends the importance of CCP socioeconomic reform policies in gaining peasant support for the revolution. Another explanation stresses the pivotal role of CCP organizational techniques in structuring the mobilization and deployment of the Chinese population for revolutionary purposes. And yet a third explanation applies to China a general theory which emphasizes that peasants' involvement in revolution stems from a backward-looking desire to reconstruct a communitarian "moral economy" that has been shattered by the intrusion of capitalism.[5]

THE FOUR books under discussion here naturally have all been influenced by these diverse traditions of analysis and contention. At the same time, several of these works also provide evidence that scholars are beginning to move beyond the established framework of debate to explore new approaches to the study of the Chinese Revolution.

In style, methodology, and argument, Chong-sik Lee's study of the

[2]Examples include Trygve Lotveit, *Chinese Communism 1931–1934: Experience in Civil Government*, Lund, Sweden, Studentlitteratur, 1973; Ilpyong Kim, *The Politics of Chinese Communism: Kiangsi Under the Soviets*, Berkeley, CA, University of California Press, 1973.

[3]Chalmers Johnson, *Peasant Nationalism and Communist Power: The Emergence of Revolutionary China, 1937–1945*, Stanford, CA, Stanford University Press, 1962.

[4]Among early comments, see Donald Gillin, "'Peasant Nationalism' in the History of Chinese Communism," *Journal of Asian Studies*, (New London, CT) Vol. 23, No. 2, February 1964; Mark Selden, *The Yenan Way in Revolutionary China*, Cambridge, MA, Harvard University Press, 1971. Recent comments include Yung-fa Chen's book, *Making Revolution: The Communist Movement in Eastern and Central China*, which is reviewed in this essay.

[5]Selden, op. cit.; Tetsuya Kataoka, *Resistance and Revolution in China: The Communists and the Second United Front*, Berkeley, CA, University of California Press, 1974; Ralph Thaxton, *China Turned Rightside Up: Revolutionary Legitimacy in the Peasant World*, New Haven, CT, Yale University Press, 1983.

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CCP in Manchuria appears quite similar to studies of the Chinese Revolution published in the 1950's and 1960's. Like them, Lee is deeply interested in unraveling the tangled skein of changing party "lines" over time, in tracing the consequences of the complicated individual and factional divisions within the party to which disputes over these lines gave rise, and in understanding the role played by the "policies of the Soviet Union and its creature the Communist International" in the history of the CCP in Manchuria.

Lee rather superficially ornaments this basic methodological structure with other arguments (derived from Chalmers Johnson's work) concerning the decisive role of anti-Japanese nationalism, rather than socioeconomic factors, in leading Chinese peasants to embrace the CCP. Lee uses some evidence culled from the mountain of information on Manchuria compiled by Japanese researchers to argue that peasants in Manchuria were better off (and therefore less susceptible to CCP appeals) than their compatriots elsewhere in China because of the greater opportunities provided by Manchuria's expanding economy and more open "frontier" society. Lee's analysis of Manchurian society and economy is, however, quite brief. Although he suggests many tantalizing avenues for exploration, he soon loses sight of them in the dense forest of documentary exegesis and political narrative that constitutes the real heart of the book.

More surprising, given the author's insistence in his introduction on the importance of the peasantry's nationalistic attitudes in the growth of CCP power, is the limited attention devoted to demonstrating this very point in the subsequent text. In fact, Lee's book is concerned less with the nationalistic roots of Communist success than with documenting the difficulties that a broad spectrum of Communists had in perceiving or effectively utilizing this potent weapon. Lee blames these difficulties on several factors, including early Soviet insistence on a non-aggressive policy toward the Japanese in Manchuria as a strategy for advancing the USSR's own foreign policy interests, persistent factional infighting that hobbled CCP activities at all levels, and the superb effectiveness of the Japanese intelligence and security apparatus in Manchuria. He argues that the CCP never had the success in Manchuria that it achieved elsewhere in northern China because of these factors.

In the end, Lee's book leaves one with a greater appreciation of the difficulties involved in waging a revolutionary struggle, and a sobering recognition of the power of efficient repression, but with little new insight into the processes that led to the success of the Communist party in China in 1949.

Steven Levine's crisply-written and wide-ranging book on Manchuria attempts to provide precisely such insights. Rather than joining the scholars who look to the Anti-Japanese War as the crucial period during which the CCP finally established itself as an irresistibly powerful force on the Chinese scene, Levine instead chooses to explore what he calls the "terra incognita" of the revolutionary civil war of 1946–49. He argues forcefully (p.4) that Communist success was still far from a sure thing in 1945, and that the civil war "was the period of decisive victory for the CCP."

Within this decisive struggle, Levine similarly stresses the crucial importance of Manchuria, noting that the Communist victory there significantly accelerated the CCP's nationwide triumph. As he further emphasizes, Manchuria was also a central focus of post-war international diplomatic and strategic concern, and became an important issue in the Cold War rivalry between the United States and the Soviet Union. He argues (p.7) that "far from being the ineluctable outcome of underlying socioeconomic forces, the Communist triumph was a contingent victory, very much dependent upon a variety of political, military, and organizational factors peculiar to the Northeast."

In the course of his discussion, Levine makes a number of bold assertions. For example, he argues that a strong Soviet presence in Manchuria, coupled with the lack of a similar direct US involvement in the civil war, combined to provide an environment favorable for CCP expansion, and that if the United States had intervened directly in the war it might have at least greatly delayed the Communist victory. Regarding the role of the CCP in the countryside, he contends that, rather than simply harnessing and redirecting the energy of an already rebellious rural population, the CCP took a quiescent and politically passive peasantry and used a variety of techniques (including coercion) to mold it into an effective support force for the Communist armies that did the decisive fighting. And, rather than accepting the conventional formula that the CCP's wartime strategy was for the revolutionary Chinese countryside to surround the Nationalist-controlled cities, he stresses the integral importance of major cities in both the strategic calculations and personal orientations of CCP leaders who remained urban intellectuals at heart despite their long years of living among the peasants.

Much of what Levine has to say in elaboration of these and other assertions is interesting. His discussion of Sino-American-Soviet interactions in the context of the emerging Cold War, for example, is

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a useful addition to the available general literature on international relations in the Far East, as well as on the specific question of the diplomatic environment for revolutionary change in Manchuria. Useful as well are his reminders about the uncertain future that still seemed to face the CCP in 1945; the need to consider the civil war years as an important separate period in the history of the revolution rather than an insignificant coda to the Anti-Japanese War; and the difficulties involved in carrying out a massive social mobilization under conditions of physical insecurity and stringent time constraints.

But what Levine asserts in bold generalization in one place he often takes back with caveats, cautions, or contrary evidence in another. Thus, having noted (p.6) that the "study of the civil war in Northeast China . . . transcends local history or regional history," he several times acknowledges the likelihood of geographic diversity in the Chinese revolutionary experience, and quite sensibly cautions against generalizing too broadly on the basis of the Manchurian example. Likewise, having stressed the importance of large cities and a continued urban orientation in CCP strategy, he then provides a plethora of concrete evidence in his chapters on organization-building and rural revolution that the real center of gravity of the movement—and the bulk of its logistical and personnel support—nevertheless clearly remained in the countryside.

This sort of backing and filling, together with a tendency to skimp on supporting evidence and citations at some important points (such as his discussion of changes in local elite society on pp. 244–46) sometimes leads to uncertainty about just what Levine is arguing, and how well-founded his arguments are. In general, though, it is clear that Levine's is a very instrumental political view of the Chinese revolution, stressing the role of factors such as international politics, organizational skill, coercive efficiency, and sound strategic planning. As already noted, he explicitly dismisses peasant misery or other such socio-economic factors as a potential factor in the growth of a following for the CCP. For Levine, the revolution grew primarily through calculated and efficient efforts extended from the top down, rather than emerging in any meaningful sense from the bottom up.

Levine's broad, synthetic, and highly generalized picture of the civil war period in Manchuria contrasts sharply in style and approach with Fernando Galbiati's biography-cum-local study of the well-known early CCP peasant activist Peng Pai* and the Hailufeng* Soviet that he helped establish in South China's Guangdong province during the 1920's.

Both Peng and the soviet have been the subject of earlier studies,[6] but it is safe to say that Galbiati's work, *P'eng P'ai and the Hai-Lu-feng Soviet,* is the most detailed and comprehensive narrative account of Peng's career and the history of Hailufeng. In addition to utilizing the available Chinese sources, the author draws upon a wide range of primary and secondary materials in other languages, including Japanese, Russian, and Italian. He gathers all of this material together into a dense, richly-textured synthesis that, while clearly centered on Peng Pai's individual experience, manages in addition to convey a great deal of information about the society and economy of the Hailufeng region, the emergence of the early revolutionary movement both there and elsewhere in Guangdong province, and the intricate web of connections that developed to link localities such as Hailufeng to higher levels of authority and non-local political movements.

Galbiati's rich account is particularly noteworthy for what it reveals about the manner in which the local-level revolutionary movement in Hailufeng (as in many other parts of China) grew up in the zone of intersection between the worlds of elite and peasant. Beginning with political activity organized by young elites based predominantly in the rapidly-proliferating local Western-style schools in urban areas, the revolution gradually spread into the ranks of the peasantry. As his account effectively shows, the transformation of the original elitist revolutionary groups into mass-based local movements was not brought about by simply employing Leninist organizational techniques to manipulate passive peasants. Instead, it emerged through complicated processes of mutual adaptation and conceptual mediation in which peasants as well as CCP cadres of elite origin were active participants. In the course of these interactions, peasants formed Communist-controlled peasant associations and eventually a "soviet" (China's first). However, the region formerly had a number of societies which were formed for the purpose of engaging in conflicts and feuds with each other and the peasants viewed the so-

*Editor's note: Although Galbiati used the Wade-Giles spelling of Peng Pai (P'eng P'ai), and the Hailufeng Soviet (Hai-Lu-feng), these proper names will be spelled according to the *pinyin* system of romanization throughout this article.

[6]Among these are Roy Hofheinz, Jr., *The Broken Wave: The Chinese Communist Peasant Movement, 1922–1928,* Cambridge, MA, Harvard University Press, 1977; Robert Marks, *Rural Revolution in South China: Peasants and the Making of History in Haifeng County, 1570–1930,* Madison, WI, University of Wisconsin Press, 1984; Yong-pil Pang, "Peng Pai and the Origins of Rural Revolution under Warlordism in the 1920s: Haifeng County, Guangdong Province," Ph.D. diss., University of California—Los Angeles, 1981.

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viet as a revival of this type of society. They also insisted Peng Pai was a Buddhist bodhisattva and embarked upon a bloodthirsty pogrom against their non-Communist enemies that local CCP cadres proved powerless to control.

Unfortunately, Galbiati is much better at describing these and other events than he is at highlighting their significance, and beneath the lush foliage of factual detail that gives the work its satisfyingly rich texture and tone lie surprisingly weak analytical roots. Indeed, so absorbed is Galbiati in the complex and difficult task of providing interwoven narrative accounts of Peng's life and the rise and fall of the Hailufeng Soviet that he has difficulty in stepping back and relating the events he is describing to the broader context of the Chinese Revolution. To the degree that he does so, he appears to waffle uncertainly back and forth between the views of two other, more opinionated, scholars of the Hailufeng Soviet, who have stressed, on the one hand, the importance of peasants' perceptions, attitudes, and actions, and on the other, the efficiency and effectiveness of CCP mobilizational and organizational techniques.[7] Galbiati's inability or unwillingness to situate his work more explicitly and effectively within the wider world of scholarly discourse on the Chinese Revolution is a disappointing aspect of this valuable work.

In his book on the Communist movement in central China during the Anti-Japanese War, *Making Revolution: The Communist Movement in Eastern and Central China, 1937–45,* Chen Yung-fa manages to draw upon some of the strengths of all of the approaches described above. Firmly basing his work on texts from the extensive archives of captured CCP documentary materials located in Taiwan, he constructs a study that combines a close and comprehensive examination of local-level, micro-political interaction between party and peasants with a willingness to step back from time to time to draw more generalized analytical conclusions from his detailed case studies.

Chen divides his book into three major sections. The first of these consists of a broad narrative overview of the formation and development of CCP base areas in central and eastern China during the war years. In this section, he includes a discussion of the disputes within the CCP leadership over alternate base-building policies, and the most detailed and up-to-date account of the well-known "New Fourth Army Incident" that I have seen. The second section describes various aspects of the CCP's mass mobilization and state-building policies, including rural administration and elections, local militarization, expansion of the party apparatus, and taxation policies. The third section examines the effects of these varied policies on the established rural order, focusing especially on local elites and "parochial" institutions such as bandit gangs and secret societies.

As this brief description indicates, Chen is deeply interested in studying the nature of the local-level political processes through which the CCP spread its influence and control in the Chinese countryside. To this end, he effectively delineates how party cadres took advantage of a variety of socioeconomic tensions and cleavages specific to different places to split the atoms of local society in a kind of controlled fission reaction whose released energy powered the expanding revolutionary movement in the region. At the same time, he notes the extensive efforts that the party made to maintain as broad a coalition of social classes as possible, including at least some local elites.

Chen's rich and complex account of the working of these processes is notable for the considerable attention it gives, not only to the subject of CCP policies and techniques for influencing rural inhabitants, but also to the complexities and subtleties of the inhabitants' own motivations and actions. Both "peasant nationalism" and socioeconomic grievances have a place in his rather eclectic view of the impulses impelling peasants to support CCP programs, but neither factor is accorded anything like the salience in his analysis that it occupies in the work of earlier scholars who have argued over the question of motivation.

In many respects, Chen's work occupies a stylistic and methodological (as well as geographical) middle ground among the works under discussion here. Where Levine adopts a wide-ranging, synthetic approach that includes foreign as well as domestic relations, and samples the rich body of relevant non-China-centered social science literature, Chen as a rule remains quite close to his documentary sources, and restricts himself carefully to the particularities of his region and to the existing literature on the Chinese Revolution. On the other hand, where Galbiati digs deeply and doggedly into a single vein of rich factual ore, Chen pans dozens of different streams of evidence for nuggets of information, and consequently demonstrates a keener analytical eye for the broad significance of the social and intellectual terrain he scans. And while Lee displays a clear mastery of the nuances of documentary interpretation, Chen chooses to use the same techniques and similar sorts

[7] For the first view, see Marks, *Rural Revolution;* for the second, see Hofheinz, *Broken Wave.*

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of materials to analyze local-level social interactions as well as regional or national political infighting. Although each of the books has its particular strengths and contributions to make, the combination of qualities that Chen's book displays distinguishes it as one of the very best books so far available on the Chinese Revolution.

AS EVEN the brief descriptions above should make clear, past scholarship about the revolution continues to exert influence on recent publications, including this diverse collection of books. Several explicitly embrace or criticize one or more of the major general explanations for the revolution's success, and even those which do not nonetheless display a clear, if unstated, awareness of the parameters of past discussion. In keeping with the now well-established trend toward local studies, none of these studies attempts to describe or characterize revolutionary processes on a national scale or throughout the revolution's entire course. Each concentrates instead on the development of the revolution during a more limited time period and in a specific geographic region or locality. In addition, three of the four books reflect in their geographical and temporal focus the heavy emphasis that recent scholarship (still animated largely by a continuing preoccupation with the arguments raised by Chalmers Johnson over 25 years ago) has placed on understanding the reasons for the remarkable growth of CCP power in northern China that began during the Anti-Japanese War period.

The very diversity of the books reviewed, however, also indicates the stimulating multiplicity of both viewpoint and explanation that now characterizes the study of the revolution. Enough has already been said in my description and comparison of the individual books to indicate clearly both that there are a number of different conceptual and interpretive frameworks simultaneously in use in recent works, and that these frameworks are employed to analyze the processes of revolution from a number of different angles and levels of generality. While this situation may generate some new methodological arguments (such as whether the national, regional, or local level provides the best vantage point for analyzing the processes of revolutionary change), it also obviously allows scholars to bring new ideas and techniques drawn from many disciplines to bear upon the subject, and it affords many new opportunities for comparison, both within the Chinese context and cross-culturally.

Furthermore, these recent works contain much evidence that at least some of this diversity is the result of scholars beginning to look at the Chinese revolution in new ways, rather than simply rehashing old theories. Two particularly notable manifestations of these new approaches are the growing trend toward synthetic, multi-causal explanations of the revolution's success, and the emerging interest in what might be called the political anthropology of the revolution.

Scholars have, of course, always recognized to one degree or another that the revolution was a complex phenomenon, but until recently many still hoped to identify some single key factor—such as "peasant nationalism," CCP organizational skill, or the peasants' "moral economy"—that would prove to be of decisive importance in the revolution's success. The trend in the works under discussion, by contrast, is to assert the necessity for eclectic, multi-faceted explanations of the success of the revolution. Levine, for example, speaks (p.7) of Communist success involving "complex, overlapping levels of domestic and international politics," and notes that this "complexity and multiplicity of elements . . . casts doubt on any explanation of the Communist victory which is predicated predominantly on a single factor." Chen likewise speaks (p. 18) of the "complexity of peasant motivation," and stresses "the congruence of many different motives and factors in prodding peasants into commitment [to the revolution]." Lee and Galbiati are less explicit in their comments, but it is noteworthy that each of their accounts also draws in practice upon elements of several of the established theories devised to help explain the success of the revolution.

The parallel emergence of a multiplicity of levels and styles of analysis that vary from author to author, and of an insistence by individual scholars on a multiplicity of inseparably intertwined factors involved in revolutionary success, has had a considerable impact upon our overall understanding of the revolution. It has also affected the way we view many of the constituent issues and elements involved in that understanding.

One of the most obvious effects of the new research has been to highlight and expand our knowledge of various aspects of the political anthropology of the revolution. Early studies that focused on the emergence of ideology and the formation of policy among the CCP's national leadership group frequently paid little or no attention either to how (and how effectively) ideas and policies were spread and implemented at the local level, or to what extent the activities of lower-level cadres and peasants influenced higher-level decision-making.

Recent research, by contrast, has concentrated considerable attention on precisely such issues. As a result of the work of Chen, Gal-

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biati, and others, the extensive slippage in perceptions and policies that frequently occurred between the top and bottom layers of the party hierarchy is much more obvious now, as is the size and persistence of the perceptual synaptic gap that separated the reform-minded party from the tradition-bound peasant at the local level. Contrary to the efficient, well-organized CCP manipulation of peasants that is often assumed by earlier works, many newer studies make abundantly clear the considerable degree to which rural inhabitants resisted, redirected, misinterpreted, side-stepped, infiltrated, corrupted, and otherwise confounded the efforts of local party organizations to build a strong and united revolutionary movement.

In a related vein, the more local-oriented of the recent studies have pointed out the extent to which the CCP's mobilization efforts were both aided and hindered by the necessity to adapt them to the deeply-rooted features of rural society. Despite the undoubted social and ecological differences that existed between Guangdong, central China, and Manchuria, party cadres in all of these areas faced many common problems. One such problem was how cadres could make room for themselves and their movements in social landscapes already crowded with a luxuriant diversity of collective action groups that included sworn brotherhoods, bandit gangs, sectarian groups, lineages, and local militias.

Galbiati's research provides clear evidence of how Communist cadres seeking local footholds often sought successfully to borrow some of the functions and forms of accepted local organizations such as mutual-aid societies or elite political action associations as a way of making their own activities seem more familiar and less intrusive. His (and, to a lesser degree, Lee's) work also shows that local CCP organizations frequently formed alliances with or absorbed bandit gangs and other types of indigenous armed forces as a means of quickly augmenting their own weak military strength. Doubtless some of these actions involved conscious and cynical attempts by CCP leaders to camouflage their radical long-term aims, but such efforts must also have seemed quite natural and appropriate to many local cadres who had been born and raised in the contentious societies of the back-country regions where many CCP base areas were located.

Nevertheless, as Chen makes clear, CCP alliances with bandits and other forms of "parochial mobilization" were frequently brief and unhappy marriages of convenience. The gangs, societies, and militias were undisciplined and localistic bodies whose members were ideologically unsophisticated, reluctant to serve outside of their own home areas, and generally resistant to party control. Moreover, the organization and military firepower that made these groups initially useful to weak and vulnerable local CCP forces also made them alternative power bases around which opposition to Communist activities could easily coalesce. For these reasons, the party made energetic and largely successful efforts to undermine and ultimately destroy the independence of such groups.

Another related aspect of the increased overall concern with the interaction between the revolutionary movement and local society has been a closer examination and (as inevitably seems to be the case) a more complex conception of the role in this interaction of specific segments of rural society such as peasants and local elites. Where many earlier Western studies of the Chinese Revolution—including some, such as Chalmers Johnson's, that sought explicitly to describe peasant motivation—tended for all intents and purposes to treat peasants as a uniform (and usually passive) mass, more recent work by Chen, Galbiati, and some other scholars has begun to show that "the peasantry" was in fact a highly differentiated, and often diversely motivated, collection of individuals.

Likewise, where most descriptions of the role of local elites during the revolutionary period have until recently portrayed them simply as implacable opponents of the CCP, some of the newer research has uncovered evidence that they—as well as peasants—varied considerably in their social situations and attitudes toward change. The implications of this have so far been followed in two different directions.

One of these—illustrated to some extent by Galbiati's work—has been to examine the considerable degree to which the earliest Communist leaders and their organizations were themselves products of elite families and elite-dominated political institutions. The point is not primarily to highlight the irony of a peasant-based movement being led by urban-oriented intellectuals from elite family backgrounds, or to assert on that basis (as Levine does, mistakenly in my view) that the Chinese Revolution is therefore not a "peasant revolution." It is instead to explore the differences in education, socioeconomic status, and career trajectories among various elite subgroups that may have helped lead some of their members to embrace the revolution and others to react to it with ambivalence and ambiguity instead of outright opposition.

The other direction taken by recent research into elites and the revolution has been to examine CCP actions toward elites. The evidence provided by such research (indirectly in Galbiati's work and

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more explicitly in Chen's fine chapter on the CCP and local elites) certainly does not contradict the established view of virtually all scholars that local elite dominance over rural society was one of the main targets of the revolution. It does, however, indicate that the CCP came to analyze and subcategorize the local elite in much the same way it did the peasantry, and that its opposition toward at least some of these categories was contingent rather than absolute.

For example, small-scale landlords who cooperated with local CCP cadres and abided by Communist policies might not be severely punished, and might even be allowed to participate marginally in the political and economic organizations set up by the CCP at the local level. Moreover, CCP cadres experienced considerable practical difficulty in drawing a clear and unambiguous socioeconomic dividing line between elite and peasant, so that there were numerous marginal families whose cooperative attitude might make the difference between being considered a friend or an enemy of the revolution.

In a somewhat different vein, perusal of the recent works under discussion here also makes apparent just how long, steep, and multiple were the "learning curves" the CCP had to traverse in its efforts to develop effective and viable methods of rural mass mobilization. Granted, a great deal of cumulative progress over time in this regard becomes apparent when one compares the fumbling, trial-and-error efforts of cadres such as Peng Pai in the 1920's with the effective mobilizational juggernaut that Levine describes the CCP loosing on Manchuria in the late 1940's. Nevertheless, it is equally apparent that much spinning (and reinventing) of wheels went on as well. In addition to the fact that much-praised CCP innovations such as the "mass line" may well have been more difficult to institutionalize than scholars have hitherto assumed, it also seems clear that the Chinese Revolution spanned such a long period of time, ebbed and flowed across such an extensive geographic area, and took such a heavy toll of cadres' lives, that many of its lessons simply had to be learned over and over again, as cadres across the country grappled in similar ways with similar problems.

IN SUM, recent scholarship has begun to consider the numerous specific uncertainties, difficulties, and ambiguities involved in the revolution's course, rather than simply continuing to debate the overall causes of its ultimate success.

In the process, it has both added to and undercut much of the scholarship that has come before it. It has added to it, above all perhaps, a sense of the complex social context of the revolutionary struggle that was notably lacking from the abstract and detached accounts of national party decision-making that dominated early scholarship on the revolution. It has undercut it, most notably, by exposing the diversity actually contained within what has hitherto been treated as essentially uniform social terrain. In both its supplementary and corrective roles, the best of this new scholarship has succeeded by documenting regional variation in processes assumed to be nationwide, by blurring presumably sharp social dividing lines, and by exploding conceptions that assume groups such as "peasants" or their motivations to be unitary, uniformly generalizable categories.

Perusal of this useful and promising recent scholarship suggests a number of directions in which future research on the Chinese Revolution might profitably proceed. Among these, let me briefly mention just two somewhat related areas: improving the integration between detailed "local studies" and broad explanatory generalization, and making better use of social science literature not related to China.

As Lyman Van Slyke notes in his foreword to Chen's book, recent research has been more effective in exposing the shortcomings of existing explanations than in developing new alternatives. Now it is true enough, as Van Slyke says in defense of this determinedly empirical approach, that more detailed information about what happened in different base areas will allow for more informed and confident generalization about the revolutionary process in the future. But empirical investigation and analytical abstraction ought to be viewed, not as incompatible methodological opposites, or as inevitably sequential steps, but as complementary lines of inquiry that proceed most effectively in tandem. Moreover, scholarly analysis of the Chinese Revolution—including that available in the works discussed here—has far from fully digested the factual material already available.

Much opportunity, therefore, certainly still remains for thoughtful, factually-based comment upon almost all aspects of the revolution's origins, processes, and outcome. For example, it would be useful to have a more sophisticated and generalized analysis of how the CCP in various places negotiated the transition from an initial stage of adaptive compromise with local traditions to a later stage of more recognizably "revolutionary" attempts to transform radically these traditions. Also useful would be some systematic attempt to evaluate to what extent and in what areas of activity the CCP's initial efforts to mobilize local populations differed from period to period during the party's pre-1949 history. A reevalu-

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ation of the scholarly views on the role of the pre-1949 "Yan'an Spirit" in post-1949 China in light of recently-developed knowledge of both periods would also be of great utility.

Such efforts to conceive and generate more closely-integrated combinations of empirical inquiry and analytical generalization would benefit considerably if China scholars devoted more effort to make appropriate use of approaches and ideas developed by social scientists outside of the China field, and (as a corollary to this effort) attempted to situate their work more explicitly in the growing body of scholarship on comparative revolution. Although there is doubtless some increased danger that fleeting academic fads or perniciously culture-bound concepts might creep into the China field across the bridges thus established to the wider scholarly world, it seems to me that the potential advantages clearly outweigh the possible costs to what is presently a surprisingly parochial field of inquiry.[8]

Again, let me suggest an example of how this sort of scholarly input might be applied to the study of the Chinese Revolution. Scholars of the French Revolution have for some time been studying the use of political symbols and rituals during the revolutionary period, drawing for this purpose not only upon the factual data base of information on French history, but also upon a large body of existing comparative and theoretical literature in the fields of political science, sociology, and anthropology.[9] Similar approaches might well be used in the Chinese case to explore a variety of topics, such as the symbolic and ritual use by revolutionaries of market town festivals and plays, religious symbols, sworn brotherhood initiation ceremonies, and political actions such as processions and "struggle sessions." (Regarding the latter, for example, was the common CCP practice of parading local elites wearing dunce caps through village streets a completely new tactic, or were there precursors or analogous practices existing in rural traditions?)

Readers who have already had an opportunity to look at the books under discussion here will probably recall passages in one or another of them that suggest starting points for or evidence bearing on the topics suggested above, and many others besides. Some of these leads may be developed further in a number of research projects now in varying stages of completion. Others may be the subject of new investigations by scholars attracted to the subject by the growing availability of a wide variety of new collections of documents, reminiscences, and secondary materials on party history published in the PRC. In any event, it seems certain that our scholarly understanding of the Chinese Revolution will improve dramatically during the next decade or so, and we owe a considerable debt of gratitude to the authors of the four books reviewed here for helping pave the way for these future accomplishments.

[8]One exception to this parochialism is Levine, whose book is the only one of the four discussed in this essay to refer in more than the most incidental way to academic literature outside of the China field. Given the range and quality of material available on the theoretical issues with which he is concerned, however, even Levine's reference to this literature seems more exemplary in its intentions than in its execution.

[9]A good example is Lynn Hunt, *Politics, Culture, and Class in the French Revolution*, Berkeley, CA, University of California Press, 1984.

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